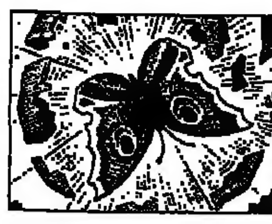
Gianni Agnelli
Dynasty and destiny: how the future looks



Creative culture
Restructuring is not enough

Douglas Hurd
Conservatism after Thatcher

Dollars and sense
How much will Gatt benefit the world?
Samuel Brittan, Page 40

FINANCIAL TIMES

Europe's Business Newspaper

MONDAY OCTOBER 4 1993 D8523A

UK may press ahead with HK democracy plan

Hong Kong governor Chris Patten will fly to London next month for a meeting which is expected to decide whether Britain goes ahead with introducing limited democracy to the colony in spite of Chinese objections. After 12 rounds of talks, China and Britain remain deeply divided about how 1995 polls in the colony should be conducted.
If agreement were no nearer by the time of the November meeting, British officials said, Mr Patten would recommend that he push ahead with plans for limited democracy. Page 12

US hospitals merger: Fast-growing US hospital company, Columbia Healthcare, is to buy HCA-Hospital Corporation of America in a $5.8bn all-share deal which creates the US's largest hospital group. Page 13

French privatisation price expected: The French government is today expected to announce the share price of Banque Nationale de Paris, the first state company in its privatisation programme. Analysts think BNP shares will be priced at between FFr250 and FFr275. Page 15

US helicopter shot down: A US helicopter was shot down during a UN operation in the Somali capital, Mogadishu. The fate of its crew was not known. Landmine kills troops, Page 5

Aid flown to India: Foreign aid was flown to victims of India's worst earthquake for 50 years. It has made 150,000 people homeless and is now thought to have killed up to 22,000 people. Page 5

Lonrho, the international trading conglomerate, is poised to appoint its first non-executives for two decades this week – a step towards becoming a more conventional public company. Page 12

Groupe Bull, troubled French state-owned computer maker, is asking the French government for FFr9.2bn ($1.6bn) to fund a measures designed to restore it to profitability. Groupe Bull has lost FFr15bn in the past three years. Page 13

Milan magistrates have recovered more than L100bn ($63.75m) placed in Swiss banks by Italians involved in corruption scandals. Their tactic has been to plea-bargain with those accused of bribery or corruption. Page 4

Britain's employee training declines: British employees are spending far less time in off-the-job training than three years ago, official figures show. The numbers undergoing training fell only slightly but their hours in training fell from 40m in 1990 to just over 25m in 1992. Page 6

UK tax rise hint: Britain's chancellor of the exchequer Kenneth Clarke has flatly rejected further cuts in public spending, fuelling expectations that he is considering Budget tax rises of between £4bn ($6.16bn) and £6bn. Page 6

Georgian rebels advance: Rebels hostile to Georgian leader Eduard Shevardnadze have advanced beyond their ethnic territory and now threaten the capital, Tbilisi, Georgian radio said. The rebels support ousted president Zviad Gamsakhurdia, who is mounting a comeback from his home region of Mingrelia.

European Monetary System: The Dutch guilder is the strongest currency in the system at the start of the week with a value 6.11 per cent higher than its central rate against the Danish krone, the grid's weakest member. Currencies, Page 23

EMS: Grid October 1, 1993

The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies can fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a narrow 2.25 per cent band.

Mexico contract for UK group: Britain's North West Water has won a £285m ($440m), 10-year contract to provide water services for more than 2m people in Mexico City. Page 13

French rail workers strike: French railway workers began four days of industrial action in protest against a wage freeze. They plan to hold a demonstration in Paris on Wednesday.

Swiss Reinsurance, the world's second largest reinsurer, increased net earnings by 5.6 per cent to SFr281m ($197.8m) for 1992 and proposed a share split and rights issue to raise SFr575m. Gross premiums rose by 25.6 per cent last year to SFr21.9bn. Page 15

Hastings Banda ill: Malawi's elderly life-president Hastings Kamuzu Banda has been flown to South Africa for medical treatment, prompting opposition parties to prepare to help fill a possible power vacuum. Page 4

Jaguar eyes Chinese market: UK luxury car maker Jaguar is to enter the Chinese market, appointing Inchcape, UK-based international services and marketing group as its exclusive importer-distributor for China. Page 6

Austria	Sch30	Germany	DM3.30	Malta	Lm0.60	S.Arabia	SR11
Bahrain	Din1.250	Greece	Dr300	Morocco	MDh13	Singapore	S$4.10
Belgium	BFr65	Hungary	Ft165	Neth	Fl 3.75	Slovak Rp	KSL45
Bulgaria	Lw25.00	Iceland	IKr215	Nigeria	Naira45	Slovenia	SLT220
Croatia	HRD5700	India	Rs40	Norway	NKr16.00	South Africa	R12.00
Cyprus	C£1.00	Israel	Shk5.90	Oman	OR1.50	Spain	Pta210
Czech Rp	CZK45	Italy	L2700	Pakistan	Rs35	Sweden	SKr15
Denmark	DKr15	Jordan	JD1.50	Philippines	Pso45	Switz	SFr3.20
Egypt	E£4.50	Kuwait	Fils600	Poland	Zl 22,000	Syria	S£50.00
Finland	FM12	Lebanon	US$1.25	Portugal	Es215	Tunisia	Din1.250
France	FFr8.00	Lux	LFr65	Qatar	QR12.00	Turkey	L8000
						UAE	Dh11.00

Parliament controlled by Rutskoi forces

Tanks and troops move in to Moscow

Clinton gives full backing to Yeltsin

Gaidar pleads on TV for popular support

Russia on brink of civil war

By John Lloyd and Leyla Boulton in Moscow

RUSSIA WAS thrown to the edge of civil war last night as thousands of demonstrators spilled onto the streets of Moscow and armed detachments loyal to the rebel parliament seized or attacked main centres in the city.

President Boris Yeltsin in a statement last night said the rebels were outlaws who were ready to put Russia into civil war: "They do not need free elections or want a peaceful life."

The uprising, clearly well prepared and launched against troops who put up little initial resistance, has forced President Yeltsin to make the choice he has struggled to avoid – the use of armed force against his enemies. A government statement early yesterday evening said that "the government is being compelled to use force to quell the fighting in Moscow to terminate the actions of political adventurists".

The struggle marks the culmination of a 12-day stand-off between Mr Yeltsin and parliamentary forces lead by Vice President Alexander Rutskoi and parliamentary speaker Mr Ruslan Khasbulatov, prompted when the Russian president announced the disbanding of parliament and a fresh election.

Mr Yeltsin, who rushed to the Kremlin yesterday afternoon from his residence outside the city, declared a state of emergency in Moscow, banned marches and rallies and called in troops from around the city, including paratroopers, to attempt to restore order. But last night the parliament, the mayor's offices next to it and a large hotel were wholly controlled by the parliamentary forces and their para-militaries. A fierce firefight raged around the Ostankino television centre, which went off the air around 8pm Moscow time.

However, Russian television continued broadcasting from a separate centre nearby, broadcasting messages of support for the Russian President from US President Bill Clinton, Mr Douglas Hurd, the British foreign secretary, and Mr Manfred Wörner, Nato secretary general.

Mr Clinton threw his full weight behind Mr Yeltsin, blaming the "significant violence" in Moscow on the forces of Mr Rutskoi and parliamentary speaker Mr Khasbulatov.

The US, he said, must continue to support President Yeltsin and the process of free and fair elections.

But Mr Yeltsin's longtime rival, former Soviet president Mikhail Gorbachev, said he must pull all armed forces out of Moscow and rescind his decree imposing emergency rule.

The Interior Ministry proclaimed its continued support for Mr Yeltsin and said it was "in control of the situation". The Russian parliament went into emergency and celebratory session in the early evening as Mr Valery Zorkin, head of the Constitutional Court, demanded that Mr Viktor Chernomyrdin, the prime minister, issue a decree restoring constitutional order by lifting the ban on the parliament.

Armed men were reported to have entered the buildings of two of the Russian news services, including the official Itar Tass agency and the Russian Information Agency. Negotiations were reported to be going on to hand over control to General Rutskoi.

Mr Yegor Gaidar, the first deputy prime minister, last night, made an impassioned plea for popular support, underlining that the future of Russian economic and democratic reforms were at stake in the developing civil war.

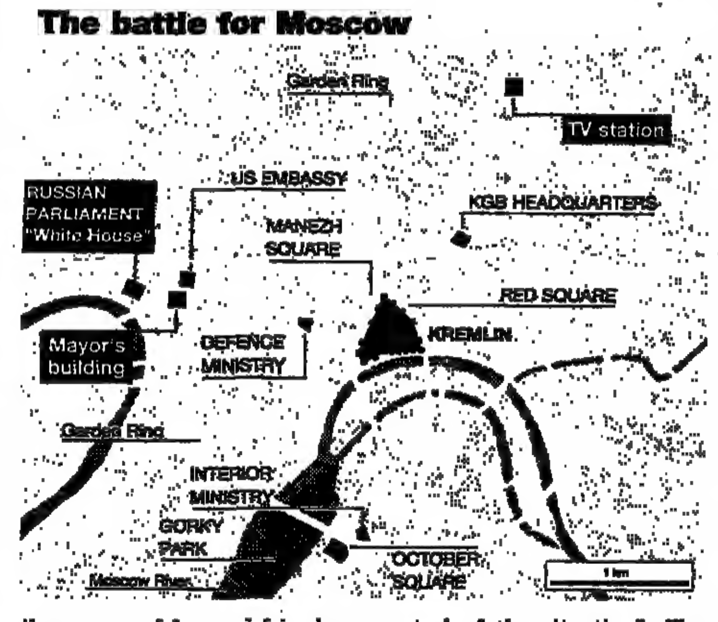
Mr Gaidar, in a television broadcast called on Mr Yeltsin's supporters to assemble outside the Moscow council building in the heart of the city to save the government from the insurrection. In a remark which seemed to reveal the government's vulnerability Mr Gaidar said its future would depend not just on the militia and the armed forces but on an upsurge of popular support.

The president's office

Continued on Page 12

Uprising: Anti-Yeltsin demonstrators burst through a line of Interior Ministry forces in Moscow Reuter

The battle for Moscow



HOUR-BY-HOUR ESCALATION OF THE CRISIS

- 2.00 About 5,000 demonstrators gather in October Square
- 2.15 Protestors stream onto the inner ring road
- 2.30 A police line is swept aside on the river bridge and riot police flee
- 2.45 Police fail to halt the protestors on the ring road
- 3.00 As the crowds reach the barricade outside parliament, they come under automatic fire
- 3.15 The troops fall back, and crowds surge into White House
- 3.30 Rutskoi comes out and instructs them to form into detachments
- 4.30 A group invade the nearby Mayor's building
- 5.00 The demonstrators return to the ring road and meet a second wave of demonstrators from October Square, boosting the crowd to more than 40,000
- 7.30 Hundreds storm the TV station. The main television channel comes off the air, at 7.42pm
- 9.00 Russian television broadcasts news from a back-up studio

A crowd with only one aim: armed rebellion

By John Lloyd in Moscow

THE CROWD, gathering in October Square under the capital's largest Lenin statue, wasted no time on speeches.

With tough young men, many in camouflage, in the vanguard of the march, they launched themselves on the police line thrown across the Moscow River bridge just past Gorky Park.

The speed of the advance left police and Interior Ministry troop trucks and buses abandoned, smashed and ripped, their contents seized. From one, bizarrely, came a big carton of Wagon Wheel biscuits, which were grasped at hungrily. "See what the democrats give to their defenders!" screamed a woman. "I can't buy these for my kids."

At Smolenskaya Square, before the vast, Stalin-style Foreign Ministry, the police again tried to hold them – with some smoke bombs, a half-hearted use of water cannon: again they were swept aside.

Between the Foreign Ministry and the US embassy, also on the ring, a bus had been encircled with troops still in it. It was surrounded by men and women in paroxysms of rage, hurling stones through the windows as the troops huddled behind their shields. A few leaders interposed themselves and tried to tear away their enraged comrades: "Don't waste your time, get to the White House!"

The crowd swept on through the perfect autumn afternoon, down towards the river and the White House.

As the crowd surged up to the barricade of barbed wire and petrol trucks blocking the entrance to the parliament, a fusillade of automatic fire rang out. Most dived to the ground or cowered behind trees and lamp posts. The firing, however, seemed mainly in the air – although it was then, probably, that a policeman was

Continued on Page 12

VW seeks $185m from sale of housing

By Christopher Parkes in Frankfurt

VOLKSWAGEN, the troubled German vehicle maker, is attempting to raise an estimated DM300m ($185.10m) by selling part of its housing stock in its home town of Wolfsburg to company tenants.

VW accounts for three out of five jobs in the town and owns more than one in five houses and flats. It has offered 1,400 tenants the right to buy their homes.

If they choose not to buy, the properties will be sold on the open market, the company says. Although security of tenure is guaranteed, the likelihood of demands for rent increases from conventional landlords and the high cost of home loans has caused a local outcry.

The move, which has been greeted by a petition protesting at the company's "attack on social harmony", demonstrates the company's wide-ranging

Continued on Page 12

Fiat has discussed European links

By Haig Simonian and Peter Martin in Paris

MR GIOVANNI AGNELLI, the Fiat chairman, said his company had been discussing possible alliances with other European carmarkers to tackle overcapacity and high production costs.

Though nothing had come of these talks, he said further significant consolidation of the European car business was inevitable. It would perhaps be triggered by one of the bigger manufacturers drawing clearly ahead of the rest.

Earlier this year, it was strongly rumoured that Fiat was discussing some form of alliance with Renault. Later, the French company agreed an ambitious merger with Volvo of Sweden.

Mr Agnelli would not identify companies with which Fiat might co-operate. But he said that "in Europe, there are too many brands. I think we need to reduce them". He explained: "If something happens, and one producer rises to 24 per cent of the market, then the whole thing starts moving." The European car market is split between six main producers, with Volkswagen, the biggest, accounting for about 17 per cent.

Fiat last week announced a L965bn (£400.33m) net loss for the first half of 1993, caused by the steep fall in demand for cars in Europe, and notably its domestic Italian market.

Fiat, which last week launched Italy's biggest rights issue, also said it would sell its 58 per cent stake in La Rinascente, Italy's biggest retailing group, to generate additional funds. The company said the disposal will generate an extraordinary gain of L437bn.

Mr Agnelli said the purchase of control of Rinascente by Ifil, the quoted investment company dominated by Agnelli family interests, was not a foregone conclusion, however. "If Ifil makes an offer, the ball is in the court. Whoever is prepared to pay a higher price can have it."

The detailed terms, announced late on Friday, allow Fiat shareholders to buy 4 Rinascente shares for every 100 Fiat shares at a price of L9,500, L2 below the price at which Rinascente was suspended last week. At the end of the month, Ifil will pay L12,500 for each Rinsacente ordinary share up to 33 per cent of the total.

A patriarch constrained, Page 11

CONTENTS

News
International News 2-5
UK News 6
Economic Indicators 4
Lex 12
Weather 12
Week Ahead 7
Construction 19
People 8

Features
Leader Page 11
Letters 10
Management 8
Economics Notebook 13
Observer 11
Arts 9
Monday Interview 28
Samuel Brittan 10
Ian Davidson 26
Michael Prowse 26
Crossword 26

Companies
UK/Int 14,15

Markets
Int. Cap Mkts 16
FT World Actuaries 25
Foreign Exchanges 25
Managed Funds 21-24
Money Markets 25
New Int. Bonds 16
Int. Bond Service 18
Recent Issues 23
Share Information 26-27

 No 32,182 Week No 40 LONDON · PARIS · FRANKFURT · NEW YORK · TOKYO

Fringe voices that swelled with shocking prophecy

By Leyla Boulton

APART from being holed up in the White House, a monarchist priest, an unemployed Communist, and a black-shirted fascist had one thing in common yesterday morning: unwavering certainty in their victory over the "Yeltsin regime".

Victor, a priest in black robes with a monarchist flag pinned on to his chest, explained that he was opposed to the forces of evil represented by Mr Yeltsin. Young men with fascist insignia on their camouflage uniforms guarded the offices of parliamentary leaders. Yuri, an unemployed dancer signed up with the Cossacks paramilitary force, was watching a demonstration on how to operate an automatic weapon in the parliament's coat-room.

"What unites us is a desire to make Russia a good, rich, just country."

The fact that Mr Ruslan Khasbulatov, the parliamentary speaker, and Vice-President Alexander Rutskoi came to be defended by society's "loony fringe" only added to the apparent hopelessness of their cause.

But by evening, after a blockade of thousands of troops and police around the parliament was overrun by demonstrators who took over the mayor's office and the television station, their desperate conviction had turned into shocking prophecy.

Earlier in the day, Mr Rutskoi, installed as acting president by parliament two weeks ago, told a news conference: "The only possible compromise is for Yeltsin to resign . . . If we do not win, we will condemn Russia to a century of dictatorship."

He poured scorn on Russia's mainstream politicians who had deserted him, and said there was nothing wrong with the National Salvation Front which had rallied to his defence.

Pointing in the audience to Gen Albert Makashov, a hardline Communist officer disgraced during the coup against President Mikhail Gorbachev, he asked: "What have you got against Makashov? He served honestly in the army and has nothing in common with those who have sold out their motherland. I respect anybody who respects his country."

Mr Rutskoi also attacked the army's high command for its "so-called neutrality", the media for their biased coverage, and the intelligentsia for "remaining silent" on Mr Yeltsin's coup d'état in dissolving parliament.

Asked whether he was not worried by threats from Mr Rutskoi to punish troops and police who supported Mr Yeltsin's coup, a police captain parked outside the parliament building replied with a smile: "We are all part of the same nation. Nothing will happen to us, we'll just go on working as usual just like we did after the last coup."

Journalists forced to choose sides as opposition storms one of Moscow's main TV stations

Yeltsin opponents focus anger on bias of the media

By Leyla Boulton in Moscow

"THE conflict among the Russian people has gone too far," were the prophetic last words of the broadcaster before one of Russia's main TV channels came off the air at 7:42pm last night.

The Ostankino TV centre, which broadcasts for both Russian and Commonwealth television, was the most coveted of prizes for President Boris Yeltsin's opponents who stormed the building last night.

If they had one justifiable complaint, since President Yeltsin won the April referendum with the active support of the media, it was that of biased coverage.

For the journalists themselves have openly taken sides in Russia's political battles, either out of economic necessity or political conviction. Threats by one parliamentary leader before last night's events to "hang journalists" played a considerable role in forcing them to choose sides.

Last night Mr Ruslan Khasbulatov, the parliamentary speaker, warned journalists they would otherwise be held responsible for "crimes against the nation".

In the past two weeks, television has contented itself with bland reports of Mr Yeltsin's decrees and his efforts to end the siege of parliament peacefully. There has been little room for the views of those holed up inside the White House and their supporters. A programme called Red Square was taken off the air last week by the head of the Commonwealth television station, on the grounds it could incite violence.

> 'Let us not give into passions, and let us chase hatred from our hearts'

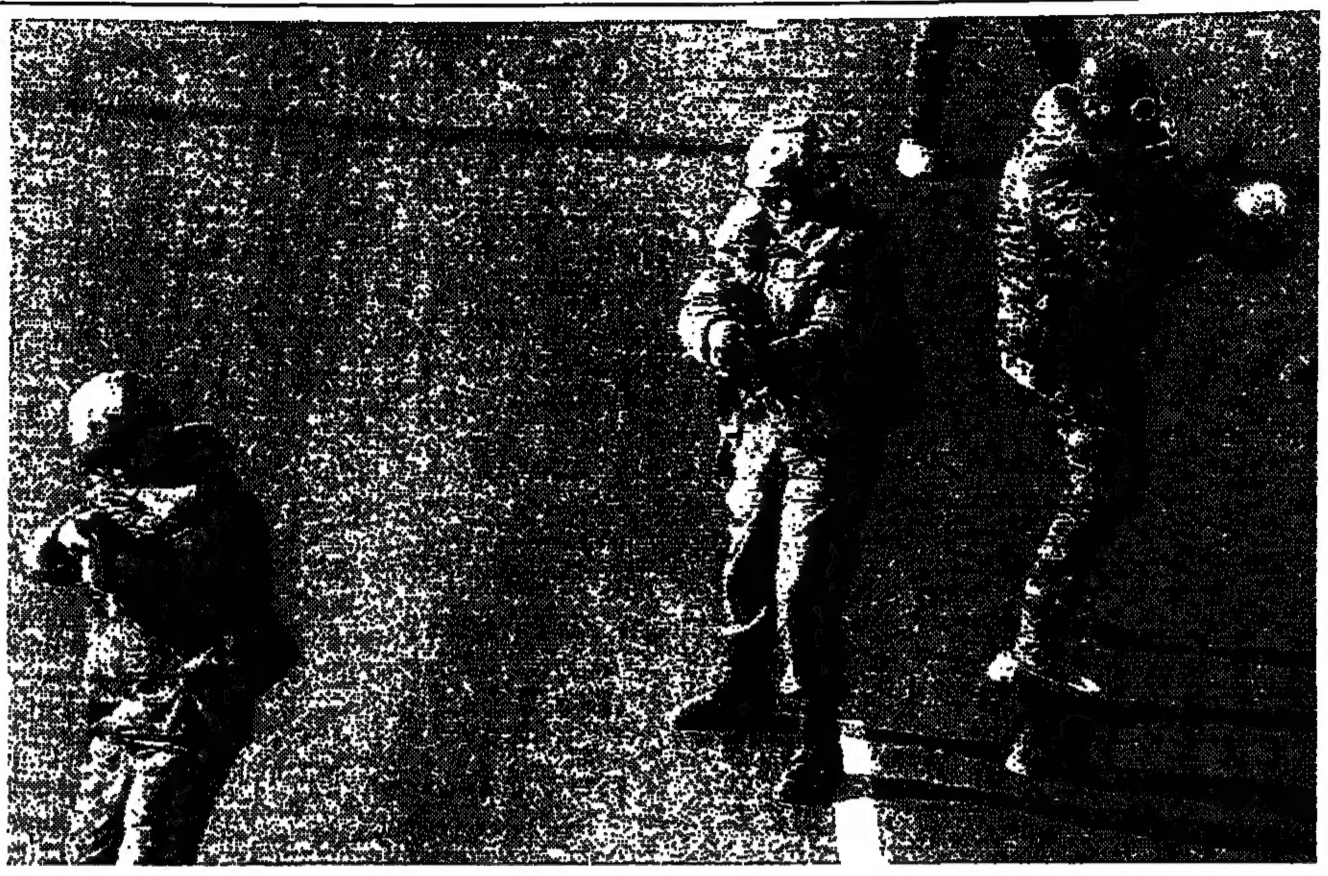
Red Square's producer, Mr Alexander Liubimov, himself a pro-Yeltsin deputy, says he was prevented from informing the public "of what is happening in society" as a result of television's dependence on state subsidies.

"I don't blame Ostankino as such. I blame the people who exploit this economic situation for political motives." The state-owned Russian Television company, for instance, receives Rbs30bn in state subsidies a year, compared to just Rbs400m in advertising revenues. Commercial television is only just appearing, while only a few newspapers are financially independent from the state.

The tragedy of Russia's media has been that in being forced to take sides they have helped precipitate a backlash against them.

"Although I am not delighted by either side, Yeltsin is the lesser of two evils," Ms Svetlana Sorokina, the charming 36-year-old presenter of Russian television news who has freely mixed the news with her pro-Yeltsin sympathies, said in an interview before last night's events.

On Saturday night she concluded her broadcast with words echoing Mr Yeltsin's calls for a peaceful end to the siege of the Russian parliament. "Let us not give into passions, and let us chase hatred from our hearts." When Mr Yeltsin's mother died just as he was being driven into a corner by parliament last April, Ms Sorokina exclaimed: "Hang on in there, Boris Nikolaevich."



WARNING: Russian interior ministry troops fire shots over anti-Yeltsin demonstrators in Moscow yesterday. Picture: Reuter

The day after Mr Yeltsin dissolved parliament, the board of Russian TV issued a statement voicing unanimous support for his decision.

Mr Sergei Skvortsov, the suave deputy head of Russian Television, agreed in a recent interview that Russian journalists' overt involvement in politics could badly backfire against media freedoms in future. "In theory you're right, but this is Russia. If you look at the people in the White House, the journalists' reaction is a natural response to the situation."

The same voluntary bias is true of many newspapers. Izvestiya newspaper's staunch support for Mr Yeltsin has been partly due to Mr Khasbulatov's attempts to turn it into a parliamentary newspaper. But in publishing a psychiatrist's statement declaring the occupants of the White House to be mentally unsound, Komsomolskaya Pravda, the former Communist youth paper, made a bizarre journey into the past – when both psychiatry and journalism were under the thumb of the authorities.

Fears that unless the bias in television is corrected, Russia will be unable to hold free and fair elections for a new president and parliament remain as true today as ever before. "Today, many people understand that under such political pressure, television will be unlikely to secure objective coverage of the election campaign," warned Nezavisimaya (Independent) newspaper at the weekend. It urged the creation of a body to enforce media impartiality in the run-up to the elections.

"Both sides have been trying to get the media on their side while true democrats want the media to be on the side of the people," warned Mr Mikhail Fedotov, the former information minister forced to quit last month by the president's more interventionist aide for the media, Mr Mikhail Poltoranin.

Clinton backs Russian leader

By Gillian Tett in London, Nancy Dunne in Washington and Quentin Peel in Bonn

PRESIDENT Bill Clinton yesterday threw his weight behind Russian President Boris Yeltsin and blamed the "significant violence" in Moscow on the forces of Vice President Alexander Rutskoi and parliamentary speaker Mr Ruslan Khasbulatov.

Speaking on the White House lawn, Mr Clinton said Mr Yeltsin had "bent over backwards to avoid the use of force."

"We cannot afford to be in the position of wavering at this moment or backing off or giving any encouragement to people who want to derail the election process," he said, adding that he did not expect President Yeltsin "to be deposed" since the Russian people supported the president more than the parliament.

But in the European Community, whose foreign ministers will meet in Brussels today, the mood was initially more cautious.

Britain and France, who supported Mr Yeltsin last week, insisted that the situation remained "very unclear". Germany, which has adopted a more cautious line throughout, expressed its concern about the events.

Their hesitation appeared to reflect both unease about the prospect of bloodshed in Russia, and a growing concern in some diplomatic quarters that Mr Clinton's faith in Mr Yeltsin's ability to control the situation could possibly prove unfounded.

In Britain, which was the first country wholeheartedly to support the Russian president last week, most officials have been insisting that in spite of unease about a temporary dictatorship, Mr Yeltsin remains the best vehicle for reform.

Concern was also mounting yesterday about the security implications of the unrest. Mr Manfred Wörner, Nato secretary general, said that he had "hope" that Mr Yeltsin could control the situation.

Bosnian Moslem rivalry sharpens as troops storm radio station

By Gillian Tett in London and Laura Silber in Belgrade

THE BOSNIAN government came under fresh attack from its own people yesterday, as the confrontation between President Alija Izetbegovic and his rival, Mr Fikrat Abdic, leader of the north-western enclave of Bihac, turned violent.

Forces loyal to Mr Izetbegovic stormed a radio station held by forces loyal to Mr Abdic and shot dead a local policemen.

A UN forces spokesman said thousands of pro- and anti-government demonstrators had taken to the streets at Bihac.

Mr Abdic, long an opponent of Mr Izetbegovic, was sacked from Bosnia's collective leadership after he declared that the enclave, which is surrounded by Serb territory, would be independent of Sarajevo.

Mr Ejup Ganic, a member of the Bosnian government, Mr Rasim Delic, Bosnian army commander, and the Moslem Iman of Sarajevo are to meet Mr Abdic for UN-sponsored negotiations today.

In another blow to Bosnia's Moslem-led government, Bosnian Serb leader Radovan Karadzic confirmed that his Serb assembly had withdrawn the offer to hand over land seized in the 18-month war.

The Bosnian Serb assembly, on Saturday night in Banja Luka, the north-western Serb stronghold, voted to withdraw all concessions to its outgunned Moslem rivals, following the rejection by the Bosnian assembly of proposed maps.

The assembly of the self-styled Bosnian Serb state, dealt another death blow to the Geneva peace process, making clear its opposition to despatch of foreign troops, including Nato forces, to Serb-held territory. Deployment of US and Nato troops is seen as crucial to the enforcement of any peace plan.

But, as a sign of pressure on the Bosnian Serbs from Belgrade, which is eager to reach a settlement to lift the UN sanctions on Serbia, the Serbs said they wanted to remain part of the peace process.

In spite of fears that the latest breakdown in peace talks would set off more fighting, the UN said Bosnia remained relatively calm, with a ceasefire around Mostar apparently holding. But troops were reported massing in the Serb-controlled enclave of Krajina in Croatia, where the mandate for the UN peacekeepers patrolling the region is due to run out tomorrow. Croatia says the UN peacekeepers should disarm the Serbs or withdraw entirely.

Hunger bites but Milosevic finds it hard to give ground

Laura Silber finds Serbia groaning under economic sanctions

IN AN ATTEMPT to prevent the total collapse of the Serbian economy, President Slobodan Milosevic of Serbia is desperately seeking an end to sanctions.

He is faced by much deprivation and has shown himself ready to fulfil UN conditions for an end to Serbia's economic isolation, in spite of an earlier vow that sanctions would not be lifted via concessions by Belgrade.

Even rival Bosnian Moslem leaders, during the Geneva peace talks last month, called Mr Milosevic the most flexible of all the Serbian politicians.

As a step towards convincing the west of Serbia's good intentions, and making room for manoeuvre in the domestic political arena, Mr Milosevic's ruling Socialist party (SPS) last week turned on Mr Vojislav Seselj, the powerful ultra-nationalist leader.

The Serbian Radical Party, once the socialists' unofficial coalition partner, controls a quarter of the seats in the Serbian parliament and has a paramilitary wing. But Mr Seselj seems to have outlived his usefulness. Mr Milosevic's socialists are now blaming Mr Seselj for Serbia's isolation, calling their former puppet a fascist and even hinting he is guilty of war crimes.

State-run television broadcasts public denounciations of Mr Seselj and tries to brighten the economic picture. Belgrade officials claim to have slowed Serbia's downward economic spiral after monthly inflation had dropped to 660 from 2,000 per cent.

Cooking oil returned to grocery store shelves, but eggs, milk and flour did not. Meat was available, but for most people unattainable. The price of an average basket of shopping still amounted to thousands of dinars. Earlier last week, it had been in the thousands of billions, before the move to strike six zeroes off dinar notes' face value.

The state propaganda machine, although it seems to have the field to itself, has failed to mask the sudden impoverishment of the inhabitants of Serbia.

Prices of *burek*, traditional Balkan breakfast fare, now rise twice in one morning. The Belgrade daily Politika reported that prices increased every ten minutes at one restaurant. Pensioners, their faces tearful, comb markets, able to afford little on their monthly income equivalent to DM10 (£4.08), which buys 10 kilos of potatoes.

Mr Milosevic's hopes for easing the sanctions and staving off economic collapse were dashed last week when the Bosnian parliament rejected the latest Serb-Croat proposal for Bosnian partition.

Belgrade's Bosnian Serb proxies at the weekend stoked the fires of the Bosnian war, voting to withdraw their territorial concessions if Moslem leaders refused to back the proposed maps.

In the event of a settlement, they said, foreign soldiers, including those of Nato, would not be allowed to enforce the plan on Serb-held territory. But the Bosnian government in Sarajevo has made clear that endorsement of the plan hinges on US and Nato engagement.

As the Geneva talks on Bosnia unravel, international attentian has focused on the rumbling Serb-Croat conflict. The UN this week will reconsider the prospects for carrying out the Vance peace plan, signed in January 1992. Croat authorities, frustrated by Serbian intransigience, are insisting that the lifting of sanctions on Belgrade be tied to the return of a third of Serb-held land to Croatian control.

Mr Milosevic has sent signals that he is ready to hand over Knin, centre of the self-styled Serb state in Croatia. But first he must get rid of the hard-line nationalist opposition, such as Mr Seselj.

Mr Milosevic may be willing to make concessions but it is unlikely sanctions will be lifted soon, forcing him to deal with an economic deluge.

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IG Metall's chief comes out fighting

By Quentin Peel in Mainz

GERMANY'S engineering workers at the weekend set themselves on a collision course with their employers, as the new leader of IG Metall, the country's largest trade union, ordered his members to prepare for a strike next year.

Mr Klaus Zwickel, confirmed in the most powerful union position in the land, picked up the gauntlet thrown down by the engineering employers last week when they unilaterally served notice of termination of current pay and holiday contracts in the 4m-strong industry.

"Agitation is now our first responsibility," he declared to the extraordinary union congress, summoned to elect a successor to Mr Franz Steinkühler, who resigned over allegations of insider dealing. "We must prepare immediately for strikes and lockouts in any form."

And yet the union response to the employers appears to be dictated more in sorrow than anger, as top officials made it clear they did not want open confrontation at a time of recession and drastic job cuts. They accused Gesamtmetall, the employers' organisation, of bowing to the aggressive instincts of their small and medium-sized entrepreneurs, who are being squeezed by rising costs and falling order books.

Mr Zwickel rejected a call by employers for preliminary talks on the forthcoming wage round, even before formal claims have been submitted in each region. He warned that the union would be "mercilessly tough" if employers insisted on pressing for real cuts in pay and holiday bonuses.

"Gesamtmetall has determined on a course of confrontation," he said. "Their termination of the wage contracts makes a mockery of the social state."

Yet at the same time his address was a passionate defence of the German tradition of social partnership and consensus, suggesting an understanding of the sharp downturn in the country's engineering, electrical and motor industries, and a willingness to seek a common union-management response.

The German chemicals industry has sent clear signals to its workforce that there will be little on offer in pay negotiations due to start next month, writes Christopher Parkes in Frankfurt.

About 30,000 jobs would be lost this year and more would follow in 1994, according to a newsletter from the industry's employers' association. It pointed out that gross pay rates had increased 15.5 per cent between early 1990 and the first half of 1993, while productivity had risen only 6 per cent.

Prices were falling, unit labour costs were rising in spite of job cuts, and overall production fell 4.5 per cent in the first seven months of this year, the letter said.

Job security was the union's highest priority, Mr Zwickel said, and he called for a national moratorium on further job cuts. The union was not intending to seek any pay rise beyond the likely increase in prices and productivity in 1994.

He agreed that short-time working, and any other forms of voluntary cuts in working hours, should be used to protect jobs.

The 3.25m-strong engineering workers' union – still reeling from the shock resignation of Mr Steinkühler, job losses in the sector running at 30,000 a month, and a 10 per cent loss in its membership since 1991 – closed ranks at the congress, with more than 90 per cent supporting Mr Zwickel's election.

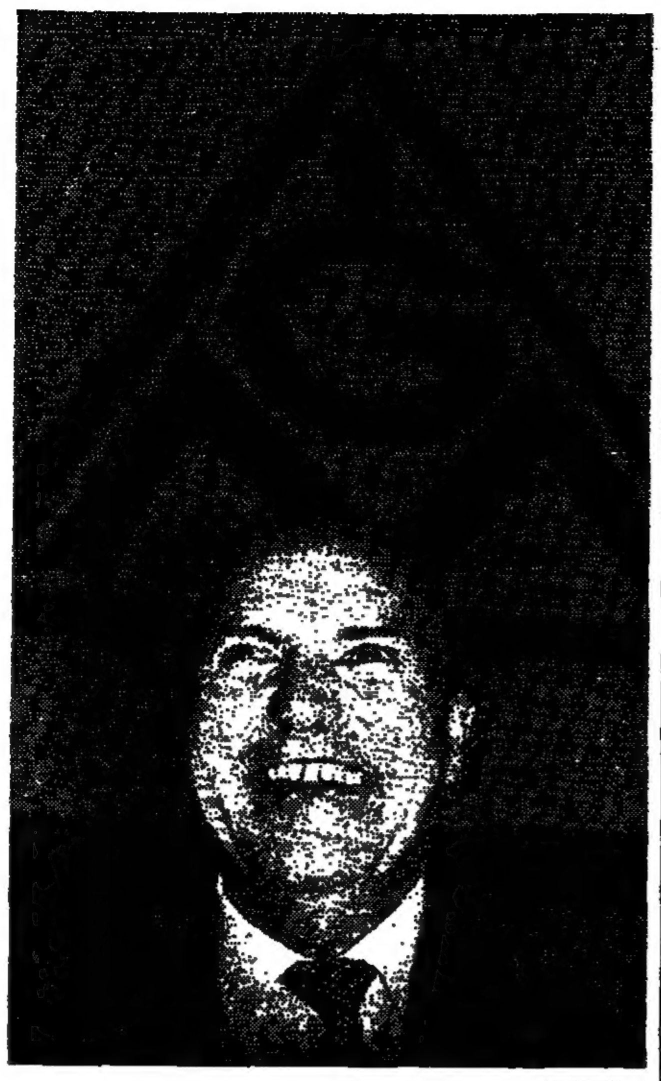
His deputy, Mr Walter Riester, the Stuttgart regional union leader responsible for negotiating the final wage deal in the industry for the past three years, won 88.5 per cent.

The one moment of anxiety for the leadership came when a delegate from Wuppertal sought to nominate Mr Steinkühler as leader once again, insisting his resignation should not have been accepted.

Mr Steinkühler strode up to the rostrum and graciously declined to accept the nomination, to the relief of the entire platform and a good part of the delegates.

"History cannot be turned back," he said.

See Observer



Associated Press

Klaus Zwickel: 'Agitation is our first responsibility'

Treuhand head administers a painful cure

By Judy Dempsey in Berlin

"NO POLITICIAN in the world could have taken our decisions," says Mrs Birgit Breuel, head of the Treuhand agency that three years ago was charged with privatising and restructuring eastern German industry following German unification.

The 57-year-old former finance minister of Lower Saxony manages one of the world's largest holding companies, with 13,175 enterprises and 27,000 land and housing titles. The agency has already privatised 8,224 companies, liquidated 2,957, secured job guarantees for 1.48m and got investment commitments exceeding DM181.6bn (£74bn).

But the job has been a messy one. "We had no tools. No rules. Not even a list of the companies which we were responsible for," she says.

At the same time, with 1.7m or 15.4 per cent of workers unemployed in east Germany, the agency was axing jobs. "They were so horrified about what happened to them. They thought the Treuhand was responsible for all their grievances in the world," she said. "Our bad reputation resulted from our job to reduce their jobs. Whatever we did, whether we privatised, or restructured, or closed down companies, jobs had to be reduced. Nobody in eastern Germany can like us for doing that."

That mission, says Mrs Breuel, in turn allowed the politicians in Bonn to blame, hide behind and use the Treuhand as a scapegoat. "This was the idea of our job – to have distance between the politicians and the Treuhand enterprises."

The early days did see mistakes, however. "Maybe it was a mistake that we did not realise earlier that there were too many investors who bought but were only interested in the real estate," she explains. "It took us a couple of months to find out. Then we forced them to give some sort of guarantees for jobs and investments. The thinking behind the guarantees – apart from preventing speculators – was to convince east Germans we were working for them, for their enterprises and jobs, and that this was the only chance for the companies to have a future." The Treuhand is now relying on western German and foreign investors to take up where it has left off to assure that future.

"Our enterprises have really improved their quality. What they need is orders. As soon as they receive orders, they increase their productivity immensely. But the [size of the] orders they receive are linked to the recession. If western German companies do not give orders to eastern German companies, the transfers [which this year will total DM180bn] will have to go on for a long time. They will have to be paid by taxes."

The logic is impeccable. But can orders alone help move eastern Germany towards a self-sustaining economy? "It depends on how fast the recession ends in western Germany," she says.

But she added that "mental unification will take longer than economic unification. We have been separated for 40 years. But [the mental unification] is not true for the people living or working here in eastern Germany."

Despite the high levels of unemployment in eastern Germany, it is often surprising that there have been no mass demonstrations, no major strikes, no signs of social unrest. "What has surprised me most is the people living there," says Mrs Breuel. "After all they have been through they are still, to a certain extent, optimistic. They are highly motivated and realistic. They are our greatest asset."

EC hunts for unity on Gatt

By David Gardner in Brussels

EUROPEAN Community foreign ministers will try in Luxembourg today to ease some of the sense of crisis swirling around the Gatt world trade reform talks. They intend to focus on areas in which they broadly agree, rather than on the farm trade chapter where a threatened French veto risks the collapse of the seven-year-old negotiations.

In sharp contrast to the September 20 "jumbo" council of EC foreign, agriculture and trade ministers – devoted almost exclusively to consideration of French insistence on a better farm trade deal than the Blair House EC-US accord negotiated last November – the 12 want to concentrate on areas such as textiles, financial services, steel and aviation.

Part of the plan is pedagogic – to place up front what will be lost in expanded trade were the Uruguay Round talks to fall apart as a result of the French veto on agriculture.

The "jumbo" meeting was marked by a sharp confrontation between Sir Leon Brittan, chief EC trade negotiator, and Mr Alain Juppé, French foreign minister, and clouded by alleged UK threats to boycott the Community if the farm trade issue sabotaged an accord.

Senior French diplomats made clear last week that Paris was anxious to avoid further confrontation today, while Mr Juppé recently warned a Gaullist audience of the dangers of protectionism.

Senior UK officials, for their part, say there will be "very little shoot-out atmosphere" today, and have back-tracked on the dubious boycott threat. What British officials said outside the September 20 meeting – insinuating the UK might adopt the "empty chair" policy used by General Charles de Gaulle to boycott the EC in 1965-66 – went well beyond the measured gravity of what Mr Douglas Hurd, UK foreign secretary, said inside the meeting.

Mr Hurd warned his colleagues of an internal EC crisis by saying: "I cannot conceive how the EC will continue with the normal transaction of business if it were seen as causing the collapse of the Uruguay Round." Though this marked a hardening of Britain's position, a senior UK official said that "what Hurd was saying was that a Gatt crisis would drive everything else off the [EC] agenda".

He was not threatening a boycott.

Sir Leon put France's farm demands on the table at a meeting in Washington last week with Mr Mickey Kantor, US trade representative. The two negotiators are to discuss the issues in substance in Brussels on October 13.

But with 10 weeks to go to the December 15 Uruguay Round deadline, the EC appears to be gearing up to try to resolve the farm trade issue at a special summit of heads of government on October 29.

Brittan seeks swift dumping probes

SENIOR EC trade officials want to speed up the Community's investigations into "dumping" of non-EC products on the European market, writes Andrew Hill in Brussels.

Sir Leon Brittan, trade commissioner, will today sound out foreign ministers from the 12 member states on the possibility of introducing a nine-month deadline for the imposition of provisional anti-dumping duties.

Dumping occurs when products are exported to the EC at unfairly low prices, compared with the price on the producer's domestic market. Duties are imposed if EC producers have suffered "injury" as a result, but investigations can take more than 18 months.

Sir Leon also wants to improve transparency and efficiency by providing more information to interested parties and splitting up the inquiries into dumping and injury, as in the US. EC officials say this would require more staff.

Sir Leon's proposals, which have yet to be put to other EC commissioners, may help relaunch debate on the more sensitive question of whether to change procedures for voting on anti-dumping decisions. An earlier plan, which would give the Commission more power to push through duties, has been bogged down for a year.

National officials believe concessions on the issue could help persuade France – which wants to strengthen the EC's arsenal of trade weapons – to sign up to a world trade deal, provided the problem of agricultural subsidies can be settled.

Finance minister welcomes World Bank role

Kenya sees early pact with IMF over reform

By Michael Holman, Africa Editor

KENYA EXPECTS to reach agreement soon with the International Monetary Fund (IMF) on a three-year economic reform programme which would form the basis of an appeal for renewed aid at next month's meeting of donors, Mr Musalia Mudavadi, Kenyan finance minister, said in London at the weekend.

An IMF mission is due in Nairobi this week to finalise terms of an extended structural adjustment facility, the minister told the Financial Times. He was passing through London after talks with IMF officials in Washington.

He described last week's announcement by the World Bank that it would chair a consultative group meeting of donors in Paris as "the critical step for the restoration of normality in [Kenya's] donor relations." Aid to Kenya has been sharply reduced after the last official donor conference in Paris, in November 1991. Donors sharply criticised the country's economic and political record, and made further financial support conditional on reform.

The combination of multi-party elections last December and economic policy measures over recent months seem to have been enough to meet donor conditions. Donor officials estimate that aid "sanctions" over the past two years have cost the country well over $500m. As a result of the shortfall in foreign exchange receipts, arrears on the country's $8bn external debt now exceed $300m.

Government officials say they have yet to set a figure for the support they will be seeking from donors at the Paris meeting, due to open on November 22. But Mr Mudavadi said Kenya would argue that its record showed the government "means business".

"The exchange rate has been devalued three times, we have liberalised the private sector's access to foreign exchange through the commercial banking system, and we have moved against the weak financial institutions" - a reference that includes action against a group of banks which made unsecured loans to politicians.

The government also plans to reduce the size of the civil service by about 16,000 posts a year, "over the next few years, giving a leaner, more efficient administration".

In March, President Daniel arap Moi, angered by a cautious donor response to a spate of economic adjustments, accused the IMF and World Bank of forcing "dictatorial and suicidal reforms" on Kenya, saying he would "no longer accept any form of economic arm-twisting from any quarter."

As the aid squeeze took its toll, though, government and donors grew alarmed. High inflation and fuel shortages threatened the security of the government, and both sides became anxious to end the impasse.

Members of Kenya's opposition parties, however, remain sceptical about the government's change of heart. They argue that Mr Moi has skilfully exploited western concern, doing enough to lure back the donors and ease the foreign exchange shortage, but without commitment to sustained reform.

Malawi president taken to hospital in S Africa

By Nick Young in Lilongwe

DR Hastings Kamuzu Banda, Malawi's elderly life-president, has been flown to South Africa for medical treatment, it was learnt last night, prompting opposition parties to prepare to help fill a possible power vacuum.

Full details of the president's condition have been withheld from the public. Malawians have been told only that Dr Banda, thought to have suffered a heart attack last Thursday, had been confined to bed.

However, Mr John Tembo, a senior minister long tipped as Dr Banda's successor, confirmed in an interview with the Financial Times that the president was in South Africa: "I do not know what is wrong but I hear he is doing better down there".

President Banda's exact age is not certain, but he is thought to be in his mid-90s. He failed to attend the annual convention of the ruling Malawi Congress Party (MCP), in the capital Lilongwe, yesterday. His opening address, which advocated close working relations with opposition parties in the transition to democracy now under way, was read by a minister.

Banda: Illness puts politicians on alert

This is the first time in Dr Bandas 29-year presidency that he has been officially acknowledged to be in ill health.

Opposition parties, believing a power vacuum is about to arise, are anxious about the consequences Dr Banda's death might have for the democratic process which has gone smoothly since last June, when a decisive majority of Malawians voted in favour of political pluralism and an end to the country's one-party system.

A National Consultative Committee, on which opposition representatives hold a majority, has been drawing up a new electoral law and a timetable for elections. It has been expected that their recommendations would be endorsed by the ruling Malawi Congress Party in parliament in October.

The two chief opposition groups are Mr Chakufwa Chihana's Alliance for Democracy (Aford), associated with the north of the country, and Mr Bakili Muluzi's United Democratic Front (UDF), associated with the south.

Aford officials say they would prefer the Congress Party to appoint an interim president, if necessary, until a general election.

The UDF is likely to press for an election earlier than the proposed May 1994 date.

Mr Muluzi last night called for "all the parties to play a role in selecting a caretaker president, if necessary".

FLAMES OF REMEMBRANCE: More than 100,000 people, some of them pictured here, gathered at the weekend in the Plaza de las Tres Culturas, in Mexico City, to mark the 25th anniversary of the death there of demonstrators, during a student protest before the Olympic Games of 1968 Picture: AP

Argentine mid-term poll shows lead for Peronists

By John Barham in Buenos Aires

THE RULING Peronist party in Argentina took an estimated 40 per cent of the votes yesterday in mid-term Congressional elections.

Early indications showed the voters having given the Peronists a lead of about 10 percentage points over the opposition Radical party.

This points to a new Chamber of Deputies little different to that shaped by the polls of 1991 and so the government's 45 per cent share of the 257 seats in the chamber is likely to be much as before.

Therefore, President Carlos Menem's bid to change the constitution - so as to allow himself to stand for a second successive term, in a presidential election late next year - has not been greatly aided.

The government needs a two-thirds majority in both the Chamber of Deputies and the Senate to begin the complex process of amendment.

Mr Menem says he will call a plebiscite of Argentina's 21.5m voters next month on the issue, hoping the result of such a sounding, albeit not binding on Congress, will increase pressure on legislators to amend the constitution.

An attempt last month to pass a motion, calling for constitutional reform, failed in the Peronist-controlled senate when two Peronist senators abstained.

More detailed data on the voting yesterday will only be available today or tomorrow. The government was expected to sweep the Peronist heartland in the province of Buenos Aires, the country's most populous and most productive, but the vote was too close to call in the Radical bastions of Córdoba, in the centre of the country, and the city of Buenos Aires.

If the Peronists were to carry these two cities, that would represent a weighty victory over the Radicals.

Jitters over election result depress Canadian dollar

By Bernard Simon in Toronto

NERVOUSNESS about the outcome of Canada's general election on October 25 has helped push the Canadian dollar down to its lowest level in six years.

The currency closed at 74.71 US cents on Friday, more than a cent below its level a week earlier and about 10 per cent below its peak of 83 US cents in November 1991.

In another sign of pre-election jitters, the gap between US and Canadian long-term bonds has widened in recent weeks from 1.35 percentage points to about 1.7 percentage points.

Markets have been especially unsettled by the strength of the separatist Bloc Quebecois. Recent opinion polls show the bloc could hold the balance of power in the next parliament, with 40-50 seats in the 295-seat House of Commons.

Mr Lucien Bouchard, bloc leader, has pledged not to be a disruptive force in parliament, but the BQ platform is based on the premise that Quebec gets less than its fair share from the federal system.

The two main parties, the ruling Progressive Conservatives and the Liberals, are still optimistic that the bloc's popularity will wane as election day draws closer. They hope to persuade Quebec voters that they do better to support a party with a chance of controlling the purse-strings and patronage of the federal government.

The fall in the Canadian dollar has also been linked to concerns about the creditworthiness of the country's provinces, which are heavy borrowers on international capital markets. Standard & Poor's, the US credit rating agency, warned last week that it may downgrade Ontario's debt for the third time in three years.

The Bank of Canada has done little so far to brake the slide in the currency. The economy remains weak and the central bank appears to be giving higher priority, for the time being, to holding down interest rates.

Milan judges recover funds in Switzerland

By Robert Graham in Rome

MAGISTRATES in Milan have recovered more than L100bn (£41.4m) placed in Swiss banks by Italians involved in corruption scandals.

The magistrates have gained access to these funds by devising a scheme that is quick and avoids Swiss sensitivities about accounts being opened to foreign investigators.

It is based on the tactic, already widely used by the city's magistrates, of plea-bargaining with those accused of bribery and corruption. When confessing, the accused are asked to identify illicit funds held outside Italy and then to sign a power of attorney for them to be collected.

Until now, Italian magistrates claim to have faced resistance by Swiss authorities in tracing and gaining access to funds alleged to be held in Switzerland. The Swiss judiciary has blamed Italians for overloading it with unnecessary and poorly edited documents. The new procedure has speeded investigations by avoiding the need to send bulky documentation to the Swiss authorities.

At least six people are thought to have co-operated thus. Among them is Mr Duilio Poggiolini, a former senior civil servant in the health ministry, who last week told magistrates he had SFr11m (£5m) in Switzerland and an estimated L200bn in gold at one of his Italian properties.

The Swiss funds are being collected by lawyers for the accused, then deposited in an escrow account in Milan. The magistrates are reported confident of recovering more, which raises the issue of the real ownership of the money once it is proved to have been obtained illicitly. Some citizens' rights groups have already suggested claiming the money on the grounds it belongs to the taxpayer.

Milan magistrates are also believed to be negotiating the return to Italy of Mr Enrico Braggiotti, a former chairman of the state-controlled Banca Commerciale Italiana, in the hope they can gain access to an alleged sum of $50.2m (£33.3m).

An international arrest warrant was last month issued for Mr Braggiotti, for alleged corruption related to the Enimont affair - the reorganisation of the Italian chemicals industry involving Eni, the state oil concern, and Ferruzzi's Montedison, then headed by Mr Raul Gardini.

According to usually reliable extracts of transcripts of evidence, leaked to the weekly magazines L'Espresso and Panorama, Mr Pino Berlini, in charge of the Ferruzzi family's offshore finances, arranged for a total of $50.2m to be paid to Mr Braggiotti in 1989-90. The funds are alleged to have come from offshore Montedisdon monies and were transferred on the orders of the late Mr Gardini in return for favours granted by Mr Braggiotti at Banca Commerciale.

Segni seeks new reformist accord

MR Mario Segni, leader of the referendum movement in Italy, called at the weekend for a new pact among Italy's reformist forces, after his split from Democratic Alliance, writes Robert Graham in Rome.

His departure from AD, a loose political grouping, was formalised on Friday and has opened the way for a fresh arrangement of the alliances at the centre of Italian politics.

Speaking at a rally near Catania in Sicily, Mr Segni said he was seeking to form "a broad pact for national renewal" that would focus on a full constitutional overhaul.

As the political parties prepare for municipal elections in many major cities next month, Mr Segni has cut free to stake his claim to lead the centre.

The former Christian Democrat made clear at the weekend that he wanted to act as an alternative to Mr Umberto Bossi's populist Lombard League on the right and to Mr Achille Occhetto's Party of the Democrat Left (PDS).

Mr Segni's divorce was provoked by his refusal to see the AD ally with the PDS. He feared the movement would be manipulated in the former communists' desire for power.

He is now free to move back towards his former colleagues in the Christian Democrat Party. Many observers felt that his departure from it in March was temporary. Mr Mino Martinazzoli, the party secretary, has made no secret of his desire to see Mr Segni back in the fold.

The search for both more and better jobs

IN 1993, says the latest World Economic Outlook (WEO) from the International Monetary Fund, unemployment in industrial countries is expected to surpass 32m, 3m more than in 1982, the trough of the previous recession.* The social and economic costs of this are enormous.

Little wonder, then, that the Clinton administration is planning a summit on global unemployment this autumn. Little wonder, too, that the European Community, whose overall unemployment rate is projected by the IMF at close to 12 per cent in 1994, is engaged upon its own analysis of the obstacles to employment.

Yet we already know something about both the employment problem and the possible solutions. First, as is emphasised in the WEO, the growth of unemployment since the early 1970s, particularly in the EC, can be explained neither by accelerated productivity growth nor by faster growth of trade with developing countries.

Second, the relationship between the growth of output and employment has varied enormously across the leading industrial countries (see chart). Third, those differences in labour-absorption have, as could be predicted, been inversely related to growth of real wages. Last, differences in the performance of overall employment have not had equivalent effects on the unemployment, still less on the non-employment, of unskilled males.

The trend growth of labour productivity has fallen from 5 per cent a year in the EC of 30 years ago to a little over 1 per cent a year now. Nevertheless, unemployment has risen almost continuously, from 2 per cent of the EC labour force in 1970. Similarly, the growth of trade with developing countries has been insufficient to explain rising unemployment and deteriorating unskilled male employment. The failure has been the poor capacity of these economies to generate new jobs in place of those that are lost.

Between 1972 and 1992, real gross domestic product rose by 61 per cent in the US, by almost exactly the same proportion in France and Germany, by a little more in Italy, and by a little less in the UK. Yet employment rose by 43 per cent in the US, and by very little in France, Germany, Italy and the UK (see chart).

If output growth is the same, while employment growth is very different, increases in real wages will, failing implausibly large shifts in the share of wages in value added, also differ. Between 1972 and 1992 US average real wages *fell* by about 10 per cent. Over the same period, French real wages rose by some 76 per cent, Italian wages by 68 per cent, British wages by 48 per cent and German wages by 43 per cent. It is not difficult, therefore, to see why Americans voted for a man who promised them more "good jobs".

Where the two different patterns seem to give roughly the same unhappy result is for male non-employment. As Edward Balls pointed out, in this space on September 6, male non-employment has risen almost everywhere. Unskilled men will not take, or are not offered, the new jobs created in a US-style deregulated labour market, while there are *few* new jobs of any kind in the more regulated ones.

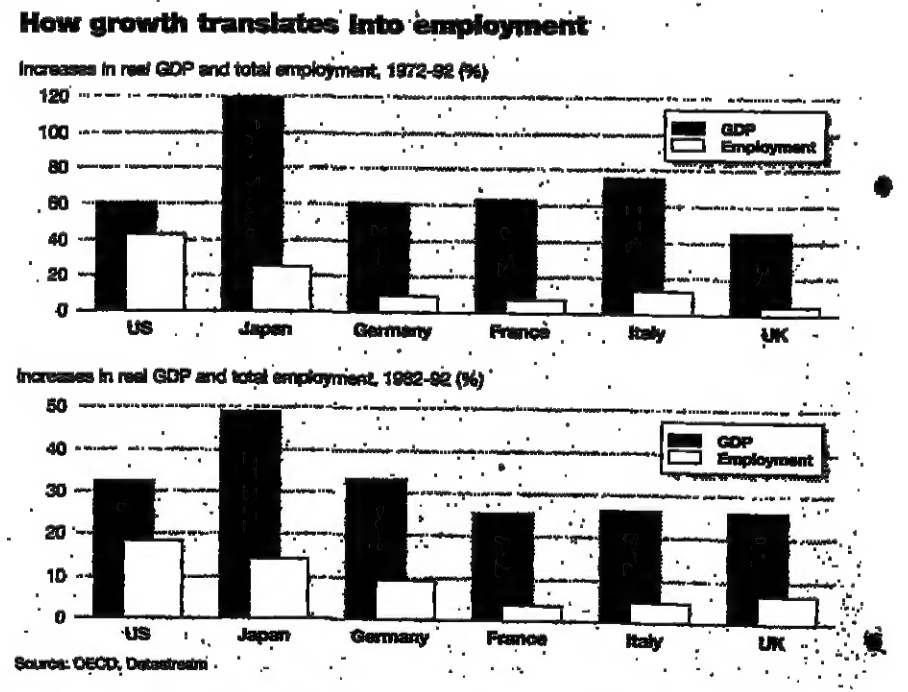
One response might be for unskilled males to be told firmly that their expectations are unrealistic, with employers neither needing brawn nor offering long-term, full-time employment to the unskilled. Quite a different possibility would be to provide job subsidies specifically for unskilled males.

The best possibility, however, would be to imitate the Japanese. Between 1972 and 1992, Japanese GDP rose by 119 per cent, Japanese employment by 35 per cent and Japanese real wages by 41 per cent, while unemployment remained negligible. The Japanesesolution was the highest rate of formation of physical and human capital in the industrial world, combined with a labour market that gave new job opportunities to outsiders *and* job protection to insiders. This is the only route towards the magic trio of higher output, higher employment and better jobs.

Martin Wolf

**International Monetary Fund, World Economic Outlook, September 1993.*

How growth translates into employment



Source: OECD, Datastream

INTERNATIONAL ECONOMIC INDICATORS: PRODUCTION AND EMPLOYMENT

Yearly data for retail sales volume and industrial production plus all data for the vacancy rate indicator are in index form with 1985=100. Quarterly and monthly data for retail sales and industrial production show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. The unemployment rate is shown as a percentage of the total labour force. Figures for the composite leading indicator are end-period values.

	UNITED STATES Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator	JAPAN Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	7.1	100.0	102.2	100.0	100.0	2.6	100.0	96.1
1986	105.5	100.9	6.9	98.0	107.0	106.5	99.7	2.8	94.3	105.2
1987	108.4	106.0	6.1	105.5	108.5	113.8	103.1	2.9	108.3	115.4
1988	112.1	110.7	5.4	106.1	112.5	122.6	112.9	2.5	135.9	122.6
1989	114.6	112.4	6.2	99.3	111.0	132.5	119.9	2.2	147.0	126.0
1990	115.0	112.4	5.4	84.5	106.9	141.6	125.5	2.1	149.8	123.7
1991	112.7	110.3	6.7	62.0	112.3	144.6	128.4	2.1	144.2	122.0
1992	117.6	112.9	7.3	60.5	117.4	139.9	120.6	2.2	124.2	121.8
2nd qtr.1992	2.6	2.8	7.4	60.5	113.8	-3.3	-6.2	2.1	127.1	120.9
3rd qtr.1992	4.0	1.7	7.5	60.1	114.5	-3.9	-6.2	2.2	121.1	121.5
4th qtr.1992	7.0	3.2	7.2	61.6	117.4	-5.5	-7.7	2.3	115.3	121.8
1st qtr.1993	3.3	4.4	6.9	62.2	117.8	-5.9	-5.1	2.3	115.1	125.1
2nd qtr.1993	4.6	3.6	6.9	63.7	117.5	-6.0	-4.3	2.4	105.1	126.8
June 1992	2.3	1.5	7.6	60.7	113.8	-5.1	-3.9	2.1	126.2	120.9
July	3.0	2.2	7.5	59.9	114.0	-1.9	-6.4	2.2	122.7	120.8
August	4.4	1.9	7.5	61.2	114.0	-4.3	-8.1	2.2	119.5	121.0
September	4.8	0.9	7.4	59.3	114.5	-5.4	-4.2	2.2	121.1	121.5
October	6.6	2.3	7.3	60.6	115.4	-3.1	-6.7	2.3	116.8	121.6
November	6.8	3.2	7.2	62.4	117.1	-5.5	-8.6	2.3	110.6	121.6
December	7.7	4.0	7.2	62.3	117.4	-7.7	-7.8	2.4	118.6	121.8
January 1993	4.3	4.6	7.0	60.4	118.3	-3.5	-7.6	2.3	109.5	122.6
February	2.8	4.4	6.9	63.5	118.0	-5.9	-5.8	2.3	112.6	123.5
March	2.7	4.3	6.9	62.8	117.8	-8.2	-2.0	2.3	123.1	125.1
April	4.4	3.9	6.9	62.9	117.3	-5.3	-4.1	2.3	109.0	126.5
May	4.6	3.3	6.8	65.0	117.6	-4.8	-4.2	2.5	102.1	126.7
June	5.3	4.2	6.9	63.1	117.5	-8.0	-4.6	2.5	105.9	126.8
July		3.8	6.8	65.0	117.5		-4.5	2.5	100.3	126.8
August		4.2	6.7	67.4			-2.0			

	GERMANY Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator	FRANCE Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	7.1	100.0	105.1	100.0	100.0	10.3	100.0	102.4
1986	103.4	102.2	6.4	136.4	105.0	102.4	101.1	10.4	107.2	109.1
1987	107.4	102.6	6.2	149.4	106.2	104.5	103.1	10.5	117.7	108.6
1988	110.5	106.3	6.2	164.8	112.3	107.9	107.3	10.0	134.9	114.2
1989	114.2	111.4	5.6	219.5	115.2	109.5	111.3	9.4	161.1	113.8
1990	123.5	117.2	4.9	261.0	116.0	110.1	112.9	8.9	166.0	107.4
1991	130.5	120.7	4.4	270.7	113.3	109.7	113.2	9.5	130.0	108.6
1992	127.7	119.1	4.8	259.6	107.1	108.9	113.1	10.4	110.6	106.1
2nd qtr.1992	-4.4	-1.0	4.7	271.4	112.1	-0.2	0.7	10.3	108.4	109.3
3rd qtr.1992	-1.9	-1.3	4.8	258.7	108.6	-0.4	-0.2	10.4	110.5	107.9
4th qtr.1992	1.2	-4.6	5.1	233.7	107.1	-1.4	-2.3	10.7	102.3	106.1
1st qtr.1993	-4.5	-9.8	5.5	210.9	107.4	0.1	-3.5	11.0	97.1	104.2
2nd qtr.1993	-3.9	-8.3	5.9	206.5	110.3	1.1	-4.2	11.5	92.1	104.8
June 1992	-6.1	-3.4	4.7	267.4	112.1	-1.8	0.3	10.4	115.9	109.3
July	-4.1	-2.2	4.7	262.8	111.6	-2.8	-0.6	10.4	112.0	109.0
August	-1.1	-0.7	4.8	260.3	111.0	-0.3	-0.6	10.4	111.7	108.5
September	-0.4	-1.0	4.9	252.2	109.6	1.9	0.5	10.5	107.8	107.9
October	-2.7	-3.6	5.0	243.4	108.6	0.1	0.4	10.6	105.9	107.6
November	1.0	-5.8	5.1	232.8	107.5	-5.2	-3.3	10.7	102.5	107.0
December	5.2	-4.3	5.2	223.9	107.1	1.0	-4.0	10.9	98.8	106.1
January 1993	-7.0	-9.1	5.4	214.1	106.9	0.1	-5.2	10.9	97.5	105.3
February	-4.6	-11.8	5.5	210.1	106.9	-3.9	-2.5	11.0	97.1	104.9
March	-1.8	-8.5	5.7	208.4	107.4	4.3	-3.0	11.2	96.5	104.2
April	-2.2	-9.0	5.8	209.2	107.9	1.1	-5.1	11.4	95.4	104.6
May	-5.7	-8.2	5.9	206.0	108.8	-3.1	-3.5	11.5	89.6	105.2
June	-3.7	-7.6	5.9	204.4	110.3	5.3	-4.0	11.6	91.4	104.8
July	-4.5	-6.6	6.1	202.7		2.5		11.7	94.4	104.5

	ITALY Retail sales volume	Industrial production	Unemployment rate	Composite leading indicator	UNITED KINGDOM Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator	
1985	100.0	100.0	9.6	104.0	100.0	100.0	11.2	100.0	101.7	1985
1986	106.8	104.1	10.4	110.8	105.2	102.4	11.2	116.1	104.9	1986
1987	112.1	106.8	10.9	112.9	110.7	105.7	10.3	141.2	109.1	1987
1988	106.0	114.2	10.9	117.9	117.8	109.5	8.6	144.3	107.1	1988
1989	116.9	118.7	10.9	116.0	120.1	109.9	7.2	124.7	104.7	1989
1990	114.3	118.0	10.3	112.1	121.1	109.3	6.8	98.1	102.5	1990
1991	110.8	115.4	9.8	115.1	119.6	106.0	8.7	68.6	106.1	1991
1992	116.3	113.6	9.8	111.7	120.4	104.5	9.9	70.4	110.6	1992
2nd qtr.1992	9.3	-0.7	10.0	113.0	1.3	-1.4	9.7	69.5	109.2	2nd qtr.1992
3rd qtr.1992	2.9	-2.1	10.1	111.8	0.7	-1.2	10.1	69.9	108.4	3rd qtr.1992
4th qtr.1992	2.7	-3.8	9.3	111.7	1.6	-0.7	10.4	71.5	110.6	4th qtr.1992
1st qtr.1993	2.0	-4.3	9.1	114.5	3.3	1.8	10.6	73.5	114.1	1st qtr.1993
2nd qtr.1993		-4.0		116.3	3.0	2.7	10.4	74.0	114.3	2nd qtr.1993
June 1992	-4.7	-3.6	n.a.	113.0	0.5	-3.3	9.8	69.0	109.2	1992 June
July	2.3	-0.2	n.a.	112.5	-0.9	-2.8	10.0	71.8	108.6	July
August	1.3	-1.8	n.a.	112.0	1.0	-0.4	10.1	70.7	108.2	August
September	5.1	-4.4	n.a.	111.7	2.0	-0.4	10.2	67.3	108.4	September
October	2.5	-1.4	n.a.	111.5	2.1	-0.0	10.2	68.7	109.0	October
November	5.7	-5.7	n.a.	111.6	1.6	-0.9	10.4	71.0	109.7	November
December	-0.2	-4.4	n.a.	111.7	1.0	-1.2	10.6	74.7	110.6	December
January 1993	11.0	-3.9	n.a.	112.0	3.0	1.9	10.7	72.8	112.0	1993 January
February	-4.5	-4.3	n.a.	113.6	2.9	2.2	10.6	73.0	113.1	February
March	-0.3	-4.7	n.a.	114.5	4.0	1.4	10.5	74.6	114.1	March
April	1.7	-3.6	n.a.	114.9	2.7	1.3	10.5	74.8	114.5	April
May		-4.6	n.a.	115.4	2.4	4.4	10.4	74.8	114.6	May
June		-3.9	n.a.	116.3	3.8	2.6	10.4	72.5	114.5	June
July			n.a.		4.1	2.8	10.4	77.3	113.6	July
August			n.a.		3.4				3	August

All series seasonally adjusted. Statistics for Germany apply only to western Germany. Data supplied by Datastream and WEFA. Retail sales volume: data from national government sources except Japan and Italy (value series deflated by OECD using CPI). Refers to total retail sales except France and Italy (major outlets only) and Japan (department stores only). Industrial production: data from national government sources. Includes mining, manufacturing, gas, electricity and water supply industries except Japan (mining and manufacturing only) and UK (also includes construction industries). Unemployment rate: OECD standardised rate which adjusts as far as possible for the different definitions of unemployment used in official sources. Vacancy rate indicator: relevant vacancy measure divided by total civilian employment, expressed in index form. Derived from OECD series. US - help-wanted advertising, Japan - new vacancies, Germany and France - all jobs vacant, Italy - no data available, UK - unfilled vacancies. Composite leading indicator: OECD data. Each is a combination of series, cyclical fluctuations in which usually precede cyclical fluctuations in general economic activity.

هكذا من الأصل

Israel to continue hunt for violent activists

By David Horovitz in Jerusalem

MR YITZHAK RABIN, Israel's prime minister, said last night he had instructed the army to continue its intensified hunt for violent Palestinian activists in the occupied territories, thus ignoring protests from the Palestine Liberation Organisation.

Two members of the Hamas Islamic Resistance Movement were killed by the army on Saturday, in a big offensive in the Gaza Strip that prompted a letter of complaint to Mr Rabin from Mr Yassir Arafat, PLO chairman.

Mr Rabin said that Israeli troops would continue to target "all terror forces". He added that the army and security services had recently uncovered, on the West Bank, three other Hamas cells believed to be responsible for having killed two soldiers and three Jewish settlers.

The army's operation at the weekend involved hundreds of soldiers and curfews being extended to large areas of the Gaza Strip.

The two Palestinians were killed when the army blew up an underground hide-out in the Bureij refugee camp.

The men were named as Mr Hamed al-Krenawi, the commander of several Hamas military units, and Mr Musa al-Sayeed.

Mr Arafat's letter of protest complained that the Gaza offensive – which had followed the capture of six pro-PLO fighters in the West Bank earlier last week – was in violation of the spirit of the autonomy and peace deal between Israel and Palestinians.

The PLO also asked the US to press Israel into halting such operations.

But Mr Shimon Peres, Israel's foreign minister, retorted yesterday that his understanding of the deal was that Israel and the PLO would join forces to fight those who opposed it.

Proposals will be in line with Hosokawa's drive to scrap costly regulations

Tokyo plans cuts in import barriers

By William Dawkins in Tokyo

THE JAPANESE government is expected to unveil on Thursday proposals to reduce import barriers, in response to growing pressure from foreign trade partners and domestic industry.

The proposals are the work of an advisory panel which is chaired by Mr Morihiro Hosokawa, the prime minister, and which includes officials from the central bank, Japan's export-import bank and the Keidanren business federation.

According to details leaked to the Nihon Keizai Shimbun business newspaper, the proposals include tax incentives to encourage more foreign companies to invest in Japan, where existing overseas investors have been big importers.

A government inquiry into non-tariff barriers, such as attempts by Japanese businesses to squeeze out competition, is also expected. The newspaper said other proposals included the abolition of tariffs and import curbs where they served only to protect local industries, and a review of public procurement to make it more open to foreign competitors.

This is in line with Mr Hosokawa's strategy of scrapping costly official regulations, to improve economic growth potential at a time when Japan is facing its worst recession in 20 years.

The latest measures will be welcomed by business lobbies even though they would, if effective, increase competition in the short term.

Big business groups like the Keidanren believe any attempt to reduce the record current account surplus will help curb the rise of the yen, which has driven most Japanese export operations into loss this year.

Japan's current account surplus hit $117.55bn (£78bn), or 3.2 per cent of gross domestic product, last year and is estimated to be heading towards 4 per cent in 1993.

Like Mr Hosokawa's other deregulation plans the latest proposals would, if turned into specific measures, be challenged by entrenched interests in the public administration and parts of industry that would suffer.

The latest example of the strains imposed by the yen's rise came over the weekend when Mitsubishi Motors, the vehicle group, was reported to be planning increased production of small leisure trucks in Thailand, in search of lower production costs.

It currently assembles 24,000 one-tonne trucks a year at a joint venture in Thailand, using imported parts.

NHK public television said Mitsubishi would start to build up full production there, using locally made parts, from the middle of next year and import trucks from Thailand to Japan. That would make Mitsubishi the first of the six Japanese automotive groups with truck plants in Thailand to begin imports to Japan.

Referendum pits Mubarak against apathy

By Mark Nicholson in Cairo

EGYPTIANS are likely today to guarantee Mr Hosni Mubarak's presidency to the end of the millennium, by endorsing in a referendum the 65-year-old leader's candidacy for a third six-year term.

The state-owned Akhbar el-Yawm newspaper yesterday published opinion polls indicating Mr Mubarak would win backing from 93.7 per cent of voters, with an 80 per cent turnout.

However, independent surveys last week showed only 30 per cent of voters had bothered to register for the poll - which offers a straight yes or no vote on Mr Mubarak's unrivalled candidacy.

Although there is no alternative candidate, and the result has been a foregone conclusion since the National Assembly rubber-stamped Mr Mubarak's candidacy for the referendum in July, the government has been straining to portray the exercise as one of "deepening citizenship and the concept of participation".

TV commercials, posters and banners have assaulted the Egyptian public for weeks in an attempt to whip up the democratic spirit. But the campaign appears more to demonstrate the depth of official concern that few Egyptians will see the point in appearing at the polling stations.

If a carefully stage-managed "Yes to Mubarak" rally this weekend in the poor Zenhom district of Cairo is any guide, it is a real fear. Organisers put the crowd at 10,000, but it was no larger than an end-of-season, mid-table third division soccer match – 2,000 at most – and about as enthusiastic. Repeated attempts by the speakers to raise pro-Mubarak chants, or songs praising the president, fell flat and the crowds began drifting home half an hour into the two-hour event.

Mr Mubarak has even shown a glimmer of embarrassment over this east-European style campaign.

In a recent interview he conceded he did not wish to receive a 99 per cent endorsement. "I do not like it, because perfection belongs to God alone," he said.

"The most important thing is that every citizen goes to the polls, because democracy grows by practice."

For a growing number of critics of the present government, however, today's referendum is the wrong sort of practice – one which results from a constitution drawn up in 1971 on essentially east-European socialist lines.

Moreover, although the former air force general who replaced President Sadat in 1981 cautiously introduced a modicum of democratic opening into the system during his earlier term, he has also ruled the country under a 12-year-long state of emergency.

"The essence of democracy is choice," said one liberal intellectual. "This right is totally abolished under our present system. Is it any wonder people lose interest?"

Barry Iverson

Hosni Mubarak: perfection belongs to God

Imports to China up 27%

CHINA'S trade account remained stubbornly in the red in the first eight months of the year in spite of efforts to boost exports and curb imports, writes Tony Walker in Beijing.

The Ministry of Foreign Trade and Economic Co-operation reported that the country's trade deficit to August reached $5.7bn (£3.8bn), with imports up 27.3 per cent to more than $58bn. Exports grew by only 4 per cent to more than $52bn.

Beijing has set as a target for this year a balance between imports and exports, but it seems this will be virtually impossible to achieve.

China recorded a modest surplus on its trade account in 1992 of slightly more than $4bn, half that of the previous year. It last registered a trade deficit in 1989.

A stabilisation programme introduced in June, aimed at calming an overheating economy and reducing pressure on imports, has achieved some success. Credit curbs have slowed import growth, but China's export performance this year has proved sluggish.

The English-language Business Weekly quoted a ministry official as saying it would be "difficult to repeat last year's trade surplus".

NEWS IN BRIEF

Earthquake aid flown to India

INDIA received its first foreign shipment of disaster relief aid since independence in 1947 when a US cargo aeroplane carrying tents and other shelter material touched down at Bombay airport yesterday, Reuter reports from Bombay. The aircraft also carried President Bill Clinton's personal envoy, Mr Ray Flynn, who will assess India's aid needs following the earthquake last Thursday.

Meanwhile, the death toll in the country's worst natural disaster since independence is probably far less than the 30,000 earlier feared. Police and rescue workers had estimated the number of dead and missing at 30,000. But Mr Sharad Pawar, Maharashtra chief minister, put the total number of bodies recovered so far at 9,349, and officials said the final figure was unlikely to be much more than double that.

France acts on Sunday trade

The French government has paved the way for a relaxation of the country's Sunday trading laws, by allowing local authorities in tourist areas to decide whether shops in their region may open on Sundays, writes Alice Rawsthorn in Paris. The change follows a review by Mr Michel Giraud, employment minister, of the trading ban, which dates back to 1906. However, Mr Giraud and Mr Edouard Balladur, the centre-right prime minister, successfully opposed a call from some MPs to introduce a shorter working week as part of their employment reform package.

CDU nominates Heitmann

Mr Steffen Heitmann, the 49-year-old justice minister of the state of Saxony, was formally nominated on Saturday as the Christian Democratic Union's candidate for the German presidency, writes Quentin Peel in Bonn.

The unanimous decision of the party's national executive was taken in spite of widespread criticism of Mr Heitmann as an unremarkable conservative nationalist.

He has been attacked by fellow members of the CDU, the party of Chancellor Helmut Kohl, as well as by the Free Democratic party in the ruling federal coalition. His principal opponent in next year's election will be Mr Johannes Rau, the Social Democrat premier of North Rhine-Westphalia.

Algerian pipeline re-opens

Pumping of oil to Arzew, Algeria's main export outlet, will resume today, six days after a fire had forced the closure of a pipeline, Reuter reports from Algiers.

The pipeline carries between 350,000 and 375,000 barrels a day.

US in Saudi flight accord

Saudi Arabia has signed an agreement with the US to allow US airlines to fly to Saudi Arabia for the first time, Reuter reports from Dubai.

The official Saudi Press Agency, SPA, said the agreement, the first aviation accord between the two countries, was signed at the weekend. The Saudi national carrier, Saudia, flies to the US but no American airline has scheduled flights to Saudi Arabia.

SPA said the agreement would allow US airlines eight passenger and six cargo flights a week to Saudi Arabia, and give Saudia the same number to the US.

Landmine kills interpreter

A Somali interpreter was killed and three US marines were wounded yesterday when a landmine exploded under their vehicle near Mogadishu's new port, a UN military spokesman said, Reuter reports from Mogadishu. The wounded men were flown by helicopter to a US army hospital. were killed.

Curbs on 'right to silence' win support

By Robert Rice
Legal Correspondent

CONTROVERSIAL government proposals to curb the suspect's so-called right to silence have won the backing of Lord Taylor, Lord Chief Justice, the most senior criminal court judge.

The proposals form part of a tough law and order package to be announced by Mr Michael Howard, home secretary, on Wednesday at the Conservative Party conference in Blackpool.

Under the government's plans, trial judges would be able to comment to the jury on a defendant's failure to answer reasonable questions put to him at the police station.

At present judges have to tell juries that the defendant's refusal to answer police questions should not be a factor in deciding their guilt or innocence.

The move would necessitate a change in the police caution to suspects. The police would have to caution a suspect that although they are not obliged to answer questions their failure to do so could be the subject of adverse comments by the judge at their trial.

Speaking at a legal conference in London at the weekend Lord Taylor said he supported change: "I feel there are circumstances in which it should be open to a judge to comment on the defendant's failure to respond to questions."

The important thing was that it should be left to the judge to decide in each case whether comment should be made or not, he said.

Chancellor fuels expectation of tax increases

By Philip Stephens,
Political Editor

MR KENNETH Clarke yesterday fuelled expectations among ministerial colleagues that he is considering Budget tax increases of between £4bn to £6bn by flatly rejecting further cuts in public spending.

Speaking on the eve of the Conservative party conference, the chancellor said the Treasury's existing targets had already produced the "bloodiest" spending round since the Conservatives took office in 1979.

His comments came as Mr Douglas Hurd, foreign secretary, said that the Blackpool conference would mark the beginning of the government's political recovery. In an interview with the FT, Mr Hurd also dismissed suggestions of a crisis surrounding Mr John Major's leadership.

Mr Clarke, however, predicted that public spending deals would cause "howls of rage" when the details were publicised and he hinted at new cutbacks in the civil service, a fresh round of defence cuts and and new restrictions on a range of welfare benefits.

Other ministers said the government's housing, roads and public transport budgets were among the main victims.

Mr Clarke has summoned his Treasury team to a crucial pre-Budget planning session at his Dorneywood country house in mid-October to agree the broad framework for his November 30 Budget.

But although he has taken no firm decisions yet on the scale and distribution of tax increases, colleagues said that a "significant" rise looked inevitable to curb public borrowing.

Mr Clarke's blunt assessment of the outlook for borrowing and spending reinforced fears in the Conservative party hierarchy of a stormy mood at a conference seen as critical to Mr Major's hold on the premiership.

The chancellor insisted that the threat of a grass roots rebellion would not force a retreat from the imposition of Value Added Tax on domestic fuel. Speaking on independent television's Walden programme, he said the Treasury would retain the timetable for an 8 per cent levy next April, moving up to the full 17.5 per cent in 1995.

The chancellor also gave a clear hint that he was sticking to his plans to secure a faster reduction in the government's £50bn annual borrowing requirement.

With the Treasury warning that a pick-up in the rate of economic growth has yet to make any significant dent in the borrowing requirement, senior ministers said the mood in the cabinet pointed to a net increase in tax of between £4bn and £6bn. That would be in addition to the £6bn of tax increases for 1994-95 and the £10bn for 1995-96 already put in place by Mr Norman Lamont, his predecessor.

Mr Clarke gave a renewed hint that tax increases should fall on those items currently zero-rated for VAT. Public transport, newspapers and books are among the prime targets.

There is a growing expectation among his colleagues that the chancellor may seek to get the bulk of the additional revenue by restricting income tax allowances to the 20p lower rate of income tax. On some calculations such a move, which would fall most heavily on those with relatively high incomes, could raise around £5bn a year.

Major faces conference minefield

David Owen looks at the pitfalls awaiting the prime minister this week

Tuesday, October 5

Conference's first full day could start uncomfortably, with the spotlight firmly on Europe, the issue at the heart of the party's civil war.

Tension is unavoidable no matter how soothingly foreign secretary Douglas Hurd urges the party to come together. In fact, party managers may feel it best to allow potential troublemakers to let off steam early in the week.

The motion chosen for debate is bland, but many of the 100 foreign policy motions submitted by constituencies are Euro-sceptic in tone. One urges conference to reject "all provisions of the Maastricht treaty".

Mr Major's main headaches will not be confined to the hall.

On the fringe, prominent Euro-sceptics Bill Cash, Nicholas Budgen, Richard Shepherd and Teresa Gorman will all be in action, with Mr Cash supervising the launch of a new Euro-sceptic secretariat: the European Foundation.

Lord Tebbit's first appearance of three, at a lunchtime meeting organised by the Thatcherite Conservative Way Forward, may produce more problematical headlines for the prime minister.

Tuesday is also railway day – when transport secretary John MacGregor may be called to account over the government's controversial rail privatisation plans.

Several constituencies are critical of the government's proposals, which will be the principal item of business when MPs return to Westminster this month.

Wednesday, October 6

This could be Mr Major's most comfortable day. His main misfortune is to be deprived of the incapacitated Michael Heseltine to rally the troops before lunch.

There may be some troubling moments for the leadership over the government's plans for pensions, tax and public spending in the afternoon during the debate on social security addressed by Mr Peter Lilley, the right-wing social security secretary.

On the fringe, the shadow of Mr James Molyneaux, the Ulster Unionist leader, could haunt Mr Major. It is still not clear what, if anything, the Unionists expect in return for supporting the government in July in a crucial Maastricht vote.

Thursday, October 7

This promises to be the trickiest day so far.

No sooner will chancellor Kenneth Clarke have sat down after replying to a debate likely to include calls to rethink plans for VAT on fuel and rule out Budget tax increases altogether, than Norman Lamont, his predecessor, will be on his feet and possibly on the attack.

Mr Lamont's appearance is the fringe event the leadership is most fearing, after the former chancellor's scathing recent criticism of government policy.

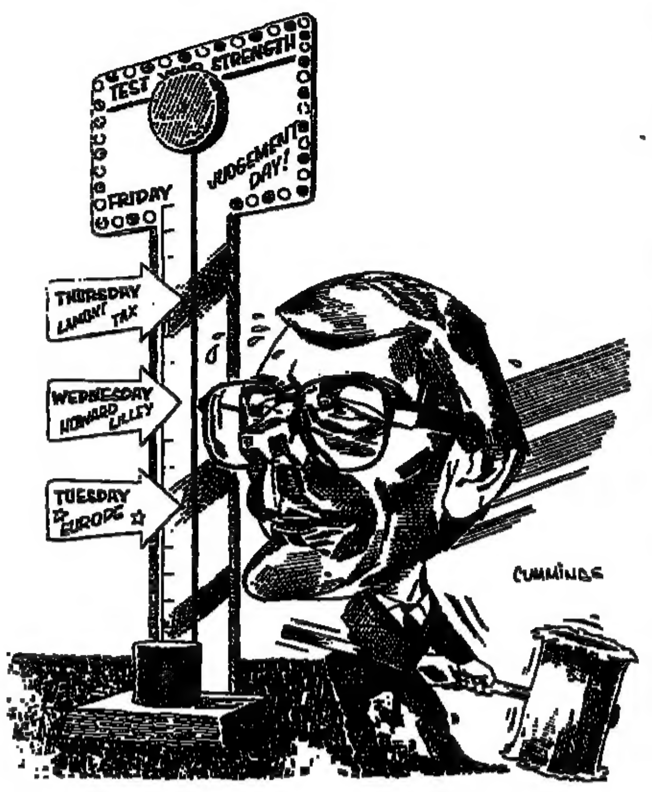
As if that wasn't enough, Baroness Thatcher will also visit the conference, to an adoring welcome from many of the faithful, with her memoirs waiting in the wings.

Friday, October 8

The prime minister's big day. After the debates during the week over Europe, tax, the future of the welfare state, Mr Major must give the speech of his life to save his leadership from the rocks.

The prime minister – who is planning to speak without an autocue – is expected to focus on enduring Conservative values such as living within your means and law and order. He is not expected to try to modify his pedestrian style; there will be no rabble rousing.

A dutiful standing ovation is guaranteed. What matters is what the faithful will mutter about his efforts as they munch their sandwiches on the trains home.



Jaguar to enter Chinese car market

JAGUAR, the UK luxury car maker, is to enter the Chinese car market with the aim of establishing a network of distribution and service centres in key cities throughout the country, writes Kevin Done.

Jaguar, a subsidiary of Ford of the US, is appointing Inchcape, the UK-based international services and marketing group as its exclusive importer-distributor for China.

Inchape is already the Jaguar importer-distributor for Hong Kong, currently the carmaker's fastest-growing market worldwide, and for Macau. Jaguar China is to be set up as a division of Inchcape Pacific with the aim of starting Jaguar sales in China before the end of the year.

Mr Nick Scheele, Jaguar chairman and chief executive, said that China was set to become one of the company's most important development markets. "We see tremendous long-term potential for Jaguar in China," he said. Jaguar forecast that it expected to sell 40 cars in China this year rising to 100 in 1994.

Mr Ian Skeggs, director of Inchcape Pacific, said that Jaguar China would form a series of joint venture dealerships in China with the first appointments expected to be made in Beijing, Shanghai and Guangzhou. A distribution centre would be established initially in Shanghai.

Earlier this year Jaguar also appointed an importer-distributor for the first time in Poland, Hungary, the Czech Republic and Russia.

Peugeot Talbot 'fast-fit' chain

PEUGEOT TALBOT, the fourth biggest-selling car maker in the UK, is planning to follow Ford and Vauxhall into establishing its own nation-wide "fast-fit" replacement parts and service chain, writes John Griffiths.

The carmakers' aim is to help their dealers recapture business worth more than £1bn annually which they have progressively lost to aggressive independents like Mr Tom Farmer's Kwik- Fit Euro group and Halfords.

A small number of Peugeot Talbot's 405 dealers are starting a pilot programme for the chain, which is being called Xpress Fit.

The results of the test programme will be assessed early next year, after which Peugeot Talbot is expected to extend the network gradually over the following three years. According to Mr Charles Greenland, Peugeot Talbot's director of parts and service, the network initially is expected to be made up of around 50 outlets, concentrated in urban centres.

Xpress Fit centres will aim primarily to provide parts and service for the 1.1m Peugeot models on UK roads. Ford and Vauxhall – whose operations are called Rapid Fit and Master Fit respectively – conceived their original schemes as "all makes" operations but have also decided to concentrate on their own brands.

Ford has calculated that fast-fit business for the 6m Fords up to 10 years old on UK roads is worth £400m annually. At the time Rapid Fit began, Ford dealers had only 7 per cent of that business.

Further Asian deals sought

By Andrew Baxter

BRITISH companies which shared in the £1bn of Malaysian contracts announced last month by Mr John Major, prime minister, are hoping for more joint ventures and contracts in Asia, the fastest-growing market for projects such as power stations and airports.

Equipment suppliers and engineering contractors want to build on the recent successes by fending off tough international competition for contracts in the region, and thus secure employment in UK manufacturing plants.

Mr Ian Robinson, chairman of Trafalgar House's engineering division, said he expected to be able to further the run of orders won in Asia by John Brown, a member of the division, in recent months.

Last month John Brown was awarded a £120m turnkey contract by Tenaga Nasional Berhad, the Malaysian utility, to build a 330MW gas turbine power station at Pasir Gudang.

Mr Robinson said there was a tremendous need for power in the Far East, which John Brown hoped to exploit by offering medium-sized stations. "We see a great demand for projects between 100MW and 300MW all across Asia and the Middle East," he said.

Last month's deal was important for maintaining employment at John Brown's Clydebank plant, where the workforce has been increased from 1,000 to 1,600 over the past two years. "It will keep us running at a high workload, which is totally against the trend in UK manufacturing," he said.

UK companies in the Asian power market are battling against US, Japanese, German and Italian competition. Parsons Turbine Generators, part of Rolls-Royce, recently completed a £70m contract upgrading the Connaught Bridge power station in Malaysia, and is also keen to develop its Asian presence.

British Gas said it was also hoping to win further business in Asia following last month's announcement that it is to take a 20 per cent stake in a joint venture to build, own and operate a 720MW gas-fired power station near Kuala Lumpur.

Off-the-job training declines

By David Goodhart,
Labour Editor

THE TIME employees spend on off-the-job training has fallen dramatically in the recession of the past three years, according to Department of Employment figures released today.

The number of people undergoing training has dipped only slightly since 1990, but the figures reveal how little training they have done.

The department will today disclose that the number of hours of off-the-job training in 1992 fell to just over 25m, from 40m in 1990. That figure, based on a survey of 4,000 employers, casts doubt on government claims that training levels have held up through the recession.

Officials point out that the sharp drop in training hours relates only to off-the-job training and also excludes any training paid for by the employee. One official said: "It looks bad but it may just signify that training courses are becoming more intensive."

However, off-the-job training is the largest component of corporate training, according to the survey. Department of Employment statistics published last week showed that 14.5 per cent of the UK's 20.8m employees had gone through some kind of training in the four weeks before the survey was conducted.

Of those, 4 per cent received on-the-job training, 8.6 per cent off-the-job training and 1.9 per cent training on and off the job.

The report also found that women are now more likely to be receiving training than men, a reversal of the position in the mid-1980.

THE WEEK AHEAD

ECONOMICS

US employment figures likely to encourage hopes of an upturn

WORRIES about the strength of the US economy may be allayed later this week by jobs data which are expected to indicate a pick-up in economic demand during September.

The financial markets expect a 155,000 rise in non-farm payrolls during the month, after the 39,000 fall in August. News to this effect when the figures are published on Friday would almost certainly boost the dollar, which in the past week has looked somewhat lacklustre against the D-Mark.

Other indicators from the US due to be published during the week include the latest data on home completions and vehicle sales.

The financial markets will also be given the September unemployment data for both the former east and west Germany, new manufacturing orders for west Germany and industrial production.

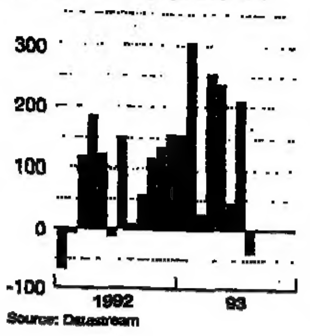
The interest in these figures rests on whether they will indicate some signs of upturn in the German economy after the recession which has depressed the economic outlook for Europe as a whole.

In Japan, the government will announce its estimate of the August trade surplus, in data which may shed light on whether imports are starting to rise as a result of any faint stirrings in domestic demand.

At the German Bundesbank, Mr Hans Tietmeyer has his first council meeting as president, after replacing Mr Helmut Schlesinger, who retired on Friday. The Thursday meeting is not expected to result in any change in interest rates.

US employment

Civilian labour force changes non agricultural payrolls ('000)



Source: Datastream

In Britain, Mr Kenneth Clarke, the chancellor, will deliver his views on economic policy to the Conservative party conference on Thursday.

At the Treasury tomorrow the government's panel of economic advisers meets for the first time since Mr Clarke took over as chancellor in May. Fans of Professor Wynne Godley, the maverick Cambridge economist who is one of the "seven wise men", will be disappointed that he will miss the meeting as he is on a research posting in the US.

Foreign exchange and stock traders will follow news of political manouverings in Russia where the recent crisis has periodically pushed down the D-Mark and European bonds on worries that any conflagration could harm the European economy.

The following gives the highlights of the week. Figures in brackets are median market predictions provided by the MMS financial information company.

Today: UK, M0 measure of money supply for September (up 1 per cent on month, 4.3 per cent on year), consumer credit growth in August, excluding mortgages (£200m).
US, August spending by construction industry.

Tomorrow: UK, Treasury panel of outside economic forecasters meets Mr Alan Budd, Treasury chief economic adviser, rise in official reserves during September at underlying level ($50m).
Spain, rise in official reserves last month ($46.3m).
US, August home completions, September 21-30 car sales (6.9m), September 21-30 truck sales.
Canada, September level of foreign reserves (unchanged), New Zealand, second quarter gross domestic product data.
Australia, August retail sales.
Japan, August current account figures and foreign bond investment.

Wednesday: Canada, help wanted index (87).

Thursday: UK, Mr Kenneth Clarke, chancellor, addresses Conservative party conference.
Germany, Bundesbank council meeting, west German unemployment (29,000 rise during September), September vacancies and short-time working in west Germany, September rise in unemployment in east Germany.
US, initial claims for week ending October 2 (325,000), state benefits for week ending September 25, August wholesale trade, August consumer credit ($2.8bn), monetary data for week ending September 27.

Friday: US, September non-farm payrolls (up 155,000), manufacturing payrolls (down 10,000), hourly earnings (up 0.2 per cent), average workweek and unemployment rate (6.7 per cent).
Canada, September unemployment rate (11.5 per cent), August car sales (down 0.7 per cent on month), July labour income (up 2.2 per cent on year), September housing starts (153,000).

During the week: Germany, August industrial production and manufacturing output (unchanged on month in both cases), August manufacturing orders (down 0.6 per cent on month), July trade surplus (DM4.9bn) and current account deficit (DM1.6bn), September cost of living data.
Spain, August trade balance, July producer price index (up 2 per cent on year), July industrial production (down 5 per cent on year).
Switzerland, September unemployment rate (4.8 per cent), September consumer prices index for Zurich.
Denmark, August unemployment rate (12.3 per cent).
Netherlands, May trade balance.
Belgium September unemployment rate (14.2 per cent).

Peter Marsh

RESULTS DUE

AMSTRAD, the consumer electronics group run by the ever-colourful Mr Alan Sugar, reports its full-year results tomorrow. The group, which reported a £71m loss last year, should have broken even at the trading level – but there may well be exceptional costs of about £25m mainly related to the closure of its Spanish operations.

Most interest will be focused on the new corporate strategic plan which Amstrad's chairman has also promised to unveil and which will probably involve a move away from personal computers towards new growth areas like telecommunications products. The Amstrad board is also in the process of selecting a new chief executive.

Tomorrow also sees the interim results of Silentnight Holdings. Projected profits of about £5m pre-tax will be an improvement on last time's £4.1m and will be thanks to the US and German operations performing better.

Bank of Scotland reveals its interim figures on Wednesday. Estimates of pre-tax profits vary from £80m to £97m, up from last time's £74m. This would be in line with general banking industry trends, with levels of bad debt provisions falling. Its location has made it less exposed to the downturn in the London property market.

Further vigorous growth is expected at Lloyds Chemists, the expanding retailing chemist which reports its final results on Thursday. Pre-tax profits as high as £50m are anticipated, compared with £36.9m last time.

Also due on Thursday are the interim results of Etam, the clothing retailer. Forecasts range between £1.9m and £2.5m, against £1.7m in the previous first half. It is thought that both sales and margins will have held up well, though the seasonality of the business makes predictions untrustworthy. The interim dividend should rise to 1.75p (1.65p).

DIVIDEND & INTEREST PAYMENTS

■ TODAY
Andrews Sykes 3p
Asda Grp. 1.1p
Bank of Montreal 10⅜% Bd. 1998 C$103.75
Barbour Index 5.45p
Braime (T.F.& J.H.) 2.25p
Do. A N/Vtg. 2.25p
Burtonwood Brewery 2.45p
Clarke (T) 1.26p
Compco Hldgs. 12.96p
Cook (D.C.) 0.6p
Dewhurst 0.66p
Do. A N/Vtg. 0.66p
Dunedin Inc Gwth Inv Tst 8.75p
East Midlands Elec13.78p
E-Systems $0.275
Fife Indmar 0.75p
Finland (Rep.of) 10⅜% Bd. 1998 £103.75
FKI 1.8p
Granada Grp. 3.025p
Grand Metropolitan 4.85p
Hampson Inds. 1.2p
Hawtin 0.25p
Hazlewood Foods 4.1p
Heath (Samuel) 4p
ICI 10.5p
Kleinwort High Inc. Tst. 1.875p
Learmonth & Burchett Mngmt. 0.75p
Low & Bonar 2.9p
Merrydown 6p
Misys 4.4p
Multitone Elect. 2p
NFC Var. Vtg. 1.45p
Norweb 14.1p
OMI Int. 1p
Porter Chadburn 0.4p
Portmeirion Potteries 2.25p
P & P 0.8p
Premark Int. $0.28
Prudential Fdg. 10% Nts. Oct.1996 C$100.0
Ramsden's (Harry) 1p
Real Time Control 3p
Relyon Grp. 1.9p
Sainsbury (J) 9⅛% Nts. 1996 $456.25
Seacon Hldgs. 2.3p
Skandia Cap. 11% Gtd. Nts. 1996 £110.0
Southend Property 2.73p
South Western Elect. 14.1p
State Electricity Conn. of Victoria 7⅞% Gtd. Nts. 2002 C$78.75
Stavert Zigomala 9.4145p
Syltone 6.3p
Takare 0.7p
Tarmac Fin. (Jersey) 9½% Cv. Cap. Bd. 2006 £47.50
Transatlantic Hldgs. 6p
TSB Grp. 3.15p
Wagon Indl. 11.175p
Welsh Water 15.7p
Westminster Health Care 0.5p
Worthington Grp. 1.1p
Zetters Grp. 4p

■ TOMORROW
Bensons Crisps 0.7p
Blockbuster Ent. $0.025
Bradford Property Tst. 10½% Cm. Pf. 5.25p
Do. 7% Un. Ln. 1992/97 £3.50
Centex $0.05
CIA Grp. 1.46p
Cleveland Place Hldgs. 3¾% Irrd. Db. £1.875
Do. 4¼% Irrd. Db. £2.125
Consolidated 2½% £0.625
Crown Eyeglass 4.5p
Cussins Property 1p
Eastern Elect. 13.7p
Edinburgh Inv. Tst. 5¾% Db. 1998 £2.875
In Shops 2.09p
Matthew Clark 10p
Met. Water Board W. Middx. Water 3% Db. £1.50
Northern Elect. 15.15p
Primadona 2.5p
Reliance Security 3.4p
Treasury 8% Ln. 2002/06 £4.0
Treasury 3% £1.50
UK Anns. 2½% £0.625
UK Anns. 2¾% £0.6875
Williamson Tea 12.5p
Yorkshire Elect. 14.42p

■ WEDNESDAY OCTOBER 6
Ashtead Grp. 3.405p
Bampton Property 7¾% Un. Ln. 1991/96 £3.875
Bellway 9½% Rd. Pf. 2014 4.75p
Bespak 6p
Britannic Assurance 3.85p
Burford Hldgs. 0.65p
Greenalls 8% Irrd. Un. Ln. £4.0
Do. 9⅛% Irrd. Un. Ln. £4.5625
McMullen 6½% Cm. Pf. 3.25p
Do. 10½% Cm. Pf. 5.25p
Vickers 1.25p
Whitbread 9% Un. Ln. 1997/2001 £4.50

■ THURSDAY OCTOBER 7
Allianz DM13.50
Banks (Sidney C.) 2p
Bradford & Bingley Bldg. Scty. 13% Perm Int. Brg. £650.0
British Assets Tst. 1.07p
Browning-Ferris $0.17
Capita 0.85p
Dale Electric 3.1p
Fleming Enterprise Inv. Tst. 3.4p
Jersey Phoenix Tst. 1.5p
Multitrust 1.2p
Rexmore 1.05p
River & Mercantile Tst. Inc. 2.25p
Royal Bank of Canada Int. Cap. Fd. Ptg. Pf. $0.025
Scottish National Tst. 1.8p
Sotheby's Class A $0.06
Taylor Woodrow 0.5p
WMX Tech. $0.15

■ FRIDAY OCTOBER 8
AB Consulting 0.7p
Aerospace Eng. 0.5p
AIM Grp. 6p
Alliance Tst. 14.5p
Do. 4% Cm. Pf. £1.40
Do. 4¼% Cm. Pf. £1.4875
Do. 5% Cm. Pf. £1.75
Amicable Smaller Ent. 1.7p
Blacks Leisure 1.5p
Chieftain 1.5p
City Merchants High Yld Tst 2p
Ferry Pickering 2.1p
First Technology 1p
Greggs 6p
Invergordon Distillers 2.9p
Jacques Vert 2p
Jos Hldgs. 3.025p
Kleinwort O'seas Inv. Tst. 1.5p
Lec Refrigeration 4p
Liberty Life Assoc. of Africa Pf. R0.80
Lloyds Abbey Life 6.3p
McKay Sec. 3.5p
Metal Bulletin 2.9p
Psion 1p
Salomon Auction Rate Nts. Jul.1995 $962.33
Shorco 2.4p
Stirling Grp. 1.35p
Treatt 1.1p
Victaulic 2.5p
Williams Hldgs. 5p
Yorkshire Chemicals 2.6p

UK COMPANIES

■ TODAY
COMPANY MEETINGS:
Adscene Grp., Camburgh House, 27 New Dover Road, Canterbury, Kent, 10.30
Heath (Samuel & Sons), Cobden Works, Leopold Street, Birmingham, 12.00
BOARD MEETINGS:
Interims:
BLP
Bilton
Capital & Regional
Eidos
Jove Invs.
London & Ass. Invs.
North British Can. Invs.
QS Hldgs

■ TOMORROW
COMPANY MEETINGS:
Fleming Enterprise Inv. Tst., 25 Copthall Avenue, E.C., 12.00BOARD MEETINGS:
Finals:
Amstrad
Barry Wehmiller
Beckman (A)
Halstead (James)
Raine
Interims:
Baillie Gifford Tech.
Doeflex
Fine Decor
Johnston Grp
Reed (Austin)
Silentnight
Walker Greenbank

■ WEDNESDAY OCTOBER 6
COMPANY MEETINGS:
Multitrust, Churchills, Mount Pleasant, W.C., 12.00
BOARD MEETINGS:
Finals:
Burn Stewart Dist.
Ex-Lands
Manchester United
Paramount
Whitegate Leisure
Interims:
Abbott Mead Vickers
Bank of Scotland
Brown (David)
Grampian Hldgs
Hewden (Stuart)
Kleinwort Endowment Policy
R.E.A. Hldgs
Time Prods.

■ THURSDAY OCTOBER 7
COMPANY MEETINGS:
First Technology, Nabarro Nathanson, 50 Stratton Street, W.1., 11.00
Mckay Secs. 20 Parkside, 28-50 Knightsbridge, S.W., 12.00
TR City of London Tst. 3 Finsbury Avenue, E.C., 3.30
BOARD MEETINGS:
Finals:
Allied Leisure
Galliford
Lloyds Chemists
Martin Intl.
Merivale Moore
Prestwick
Renishaw
Interims:
Abbeycrest
Anglo American Invs. Tst.
Beradin
Campari Intl.
Clarke Nickolls
Etam
Higgs & Hill
Hughes (T.J.)
Lamont
London & Overseas Freighters
M.R.Data Management
Padang Senang

■ FRIDAY OCTOBER 8
COMPANY MEETINGS:
Border Television, Television Centre, Carlisle. 12.00
Greycoat, Connaught Rooms, Kingsway W.C., 10.00
Jones & Shipman, Leicester Forest Moat House Hotel, Hinckley Road, Leicester Forest East, Leicester. 11.15
BOARD MEETINGS:
Finals:
Can. O'seas Packing
Trace Computers
Interims:
Cohen (A)
Gates (Frank G)
Hi-Tec Sports
Premier Health
Redemco

Company meetings are AGMs unless otherwise stated.
Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.

Companies must do more than just restructure, argues **Christopher Lorenz**

No less than rebirth

The world's most innovative multinational, 3M, has for years had a target that 25 per cent of its annual revenues must come from products which did not exist five years before. It has just replaced it with an even tougher goal: 30 per cent in four years.

As one of the means of achieving this, 3M is sticking steadfastly – despite recession – to its traditional policy of giving staff 15 per cent "bootlegging time" to work on projects of their own choice. They can go to several alternative sources of internal funding if their own divisions fail to see the potential of the new ventures they create. But this risk is minimised by keeping 3M business units as small and entrepreneurial as possible.

Anchored in an unusually creative culture, these and other measures have helped 3M re-invent itself repeatedly over the past 91 years. From its beginnings in abrasives, it has added layer after layer of related skills in order to move into adhesives (from Scotch tape to Post-It notes), chemicals, video tape, computer disks and other products.

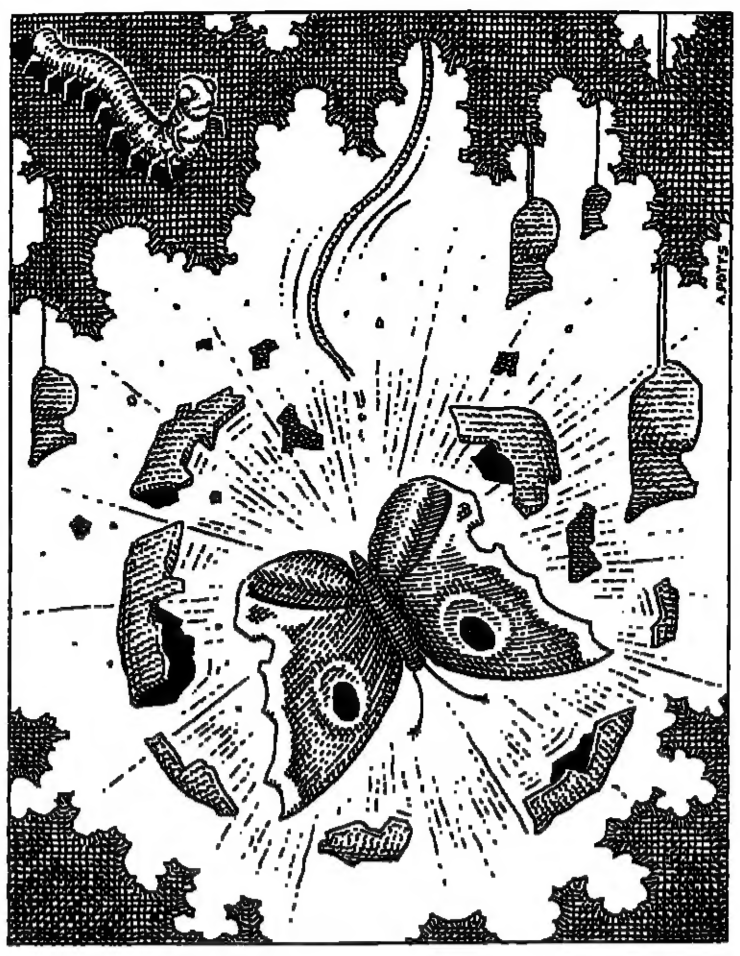
At the age of 54, Hewlett-Packard has a creative culture almost as developed as 3M's. It reminds staff constantly that it needs to operate "with the nimbleness of a start-up". It tends to succeed: over half the value of its orders in 1992 were for products launched since 1991.

Motorola performs almost as well. In many ways it is the most impressive of the three. While 3M and HP have sustained their creativity since birth, 73-year-old Motorola has only recently transformed itself into a model of creativity and innovation, in mobile communications and other fields. As recently as the 1970s it was sliding into oblivion, like many companies of its age group.

Few mature large companies now in that painful position have much hope of emulating Motorola's rebirth. At best, they may merely delay their decline.

This is not for want of trying. Vast numbers of western companies are undergoing drastic change, or about to do so. In the US they include Digital Equipment, General Motors, IBM, Kodak, Sears and Westinghouse. European examples include Daimler-Benz, Volkswagen, Siemens and several British banks.

But far too many companies are focusing almost exclusively on better management of their existing assets, in the form of "restructuring" (through downsizing and delayering) and the "re-engineering" of processes such as product development and order fulfilment.



These are only two of four overlapping steps necessary for the complete regeneration of a company. The other two, in the jargon of two California-based academics, are "reinventing strategy" (Gary Hamel) and "reinventing the organisation" (Richard Pascale).

The latter – a very complex undertaking – will be examined in a later article. It amounts to transforming companies from sluggish consensus-machines, like GM and IBM, into what Pascale calls "engines of inquiry", like 3M, HP or – these days – Motorola.

On step three, the "reinvention" of strategy, a packed audience was treated by Hamel to a trenchant analysis last month at the annual conference of the Strategic Management Society.

Restructuring was necessary, since it made companies smaller, said Hamel. So was re-engineering – it made them better. But without the reinvention of strategy, they would not become different. So far, Westinghouse had become smaller but not better, and Xerox better but not different. By contrast, their main respective rivals, General Electric and Canon, had become better and different.

In mathematician's terms, companies were constantly encouraged by investors to improve the efficiency of their current operations and resources – "to attack the denominator". They were not being stimulated to "increase the nominator": to create new products, markets and even industries.

As a result "more and more clusters of unimaginative, denominator-focused competitors are engaged in successive rounds of downsizing," said Hamel. "We have an epidemic of corporate anorexia."

Nor was it enough to play catch-up, as the western motor industry is constantly trying to do with the Japanese, and as vast tracts of industry have done in the wake of more innovative western companies over the past 30 years.

The only way a company can get ahead is to foresee the next round of competitive advantage and evolution in its industry, and to create it. Hamel continued: "The biggest rewards ultimately go to companies which transform their industries, change the rules of the game, redraw industry boundaries and establish fundamentally new competitive parameters."

Thus the primary goal must be to become the architect of an industry's transformation – not just once, like Canon, CNN, Intel or Virgin, but repeatedly, like 3M and HP. To do that, as Hamel pointed out, companies have to challenge not just the orthodoxies of the incumbents in an industry, but also their own – which is far harder.

It remains to be seen whether Microsoft, Intel and Wal-Mart (in US retailing) are up to the task.

Hamel sees three key barriers to "reinventing strategy":

- **Perceptual:** the lack of "genetic variety" in top teams. Too many come from the same industries, companies, disciplines and cultural backgrounds. This blinds them to new opportunities.
- **Political:** the most powerful people are usually those whose knowledge is most out of date.
- **Practical:** it is difficult to reinvent strategy in an ill-defined, still emerging industry (such as digital communications) or sub-sector (such as electronic publishing), where existing industry boundaries are shifting.

Part of the answer, Hamel suggested, is to concentrate on a set of core competences which will be valuable no matter which way the industry evolves, such as Apple's user-friendliness or Sony's skills in miniaturisation.

Then, like Motorola with its ambitious "Iridium" project for a global, satellite-based cellular communications network, one can have a hand in creating the future.

Significantly, that project was the brainchild of a middle manager whose immediate bosses turned it down, but who took it to top management and won their backing. He could easily have worked for 3M.

This is the first of several articles on corporate creativity.

TIPS FROM THE TOP

Be direct – but don't preach or complain

Christopher Haskins, chairman of Northern Foods, offers advice on how to handle the press

A free press has two main responsibilities – to present information accurately and to challenge the people in power who naturally favour authoritarianism.

The efficient exercise of power frequently jeopardises the democratic process and a free press must ensure this does not happen. One of the first actions of an aspiring dictator is to muzzle the press.

Businessmen share government ministers' views on the press. In an ideal world they would prefer that journalists did not exist. But, in reality, we find ourselves dependent on them. The press remains the most effective way for politicians to communicate to the voters and company chairmen to influence their shareholders.

A good relationship with the press can transform a problem into a success, just as the proper handling of a complaint can result in increased customer satisfaction

Being both vain and insecure, we rejoice when the notices are favourable and are enraged when they are critical. Businessmen, in common with most British institutions, are paranoiac and secretive. It is a peculiar British weakness and stems from the culture of patronage and elitism which remains endemic in our society. It does not, however, promote good relations with the media.

A good journalist must treat secrecy with suspicion, assuming that it is being used to distort the truth. Mostly, his suspicions are correct, and he must strive to expose the secret.

A sensible business person knows that there are few reputable secrets in life and should be accessible to journalists. Where possible, the chairman should not hide behind a press office, but speak directly to the press. This disarms the latter, as well as making them self-important. They, too, are not without vanity.

However, there are occasions when confidential "off-the-record" discussions can help both sides. I have never been betrayed by a journalist in these circumstances, although there is always a risk of an accident or a misunderstanding as John Major discovered recently. Or, perhaps he actually wanted his "off-the-record" comments to reach the public domain.

Businesspeople constantly complain that they are inaccurately reported. A good reporter respects accuracy and will be glad to ensure that quotations and attributable comments are checked.

The trick is to identify the bad journalist, and handle him with care. Businessmen themselves should take care with their comments, and ensure that they are accurate. On occasion, probing journalists need to be handled like policemen and lawyers – answer the questions precisely, but offer no more than is being requested.

Never try to over-influence journalists, preach at them, or complain about them to their editor. More often than not your case will be a bad one, and even if it is not, journalists, like all professional people, are protective of each other when they are under fire.

A good relationship with the press can transform a problem into a success, just as the proper handling of a complaint can result in increased customer satisfaction. Two examples spring to mind.

A few years ago the press was convinced that most chilled food manufacturers were a danger to society. We chose to invite our most vigorous critics to our factories to explain our position. We ended up with an enhanced reputation.

On another occasion, a speculative discussion with a reputable journalist almost certainly saved the company from a hostile and damaging predatory bid. Lushing up journalists is an expensive, wearisome and ineffective pastime. The good ones either do not participate, or else take the goodies but do not return the favours.

Those who are seduced tend to be corrupt themselves and, therefore, in the long term of no use to you. Journalists who are "pliable", such as those who are prepared to produce newspapers which reflect the prejudices of their owners, should be treated with great suspicion.

Finally, recognise that journalists are strange characters: loners, anarchic, insecure and suspicious. But they are also gossipy, anti-establishment and entertaining, and usually wise enough not to take themselves too seriously. They are on the whole good company, and add colour to the drudgery of our daily life.

Next Monday: Eric Nicoli, chief executive of United Biscuits, on how to produce an annual report.

PEOPLE

Christies' board acquires a French style

Nicholas Clive Worms (right) has been appointed a non-executive director of Christies International and chairman of Christie's France.

He is senior partner of Worms & Cie, one of France's more venerable financial services and industrial companies, having been established by his great-great grandfather in the turbulent year of 1848.

Worms has long taken a personal interest in the art market. He has a swathe of directorships in French companies, including the consumer goods producer BSN and the television station TF1.

Sir Anthony Tennant, chairman of Christies International, said that he would be "a very valuable addition" to the board.

■ **Keith Humphreys,** chairman and managing director of Rhone-Poulenc Ltd, the UK subsidiary of the eponymous French multinational, becomes a non-executive director with AMEC.

He succeeds Sir John Nott, who is leaving Amec to spend more time on his recent appointment as executive chairman of Hillsdown Holdings.

■ **Sonia Land,** chief executive of the literary agency Sheil Land Associates and former chief executive of the Harper Collins publishing group, has been appointed by MIRROR GROUP NEWSPAPERS as a non-executive director.

■ **Michael Haines** has been appointed non-executive director at LAMBETH BUILDING SOCIETY; he recently retired from KPMG Peat Marwick.

Gaelic oils Cairn's finances

Gaelic is not a language much used in the boardrooms, even of Scottish companies, but the occasional word may soon be heard in the corridors of Cairn Energy, the Edinburgh-based independent oil company, following the appointment of Agnes McLeod, 33, as its new finance director.

McLeod, left, is a fluent Gaelic speaker. She joined Cairn in 1988 after spending five years as an accountant at Lasmo, another independent oil company.

She spent her first two years at Cairn as a financial accountant. A stint as assistant company secretary followed, with promotion to company secretary coming at the beginning of this year.

Her appointment doubles the ranks of women finance directors at UK oil companies, with Liz Airey at Monument having paved the way.

McLeod expects to be busy in implementing the financial aspects of Cairn's far-flung international activities in places such as Papua New Guinea and Vietnam.

Earlier this year she played a key role in gaining shareholder approval for Cairn's US subsidiary to issue 4m new shares for $19.7.

■ **Michael Smith** has been appointed chief operating officer of ASTEC (BSR); he joined Astec in January 1992 as president of the company's custom power division.

■ **Robert Corry** has been appointed finance director at LONDON & ASSOCIATED INVESTMENT TRUST.

■ **Anthony Potter** has been appointed director to the board of HARMONY LEISURE group.

■ **Roger Field, Terence Pitron** and **Nigel Sherlock** have been appointed executive directors of STURGE HOLDINGS. Field has been the active underwriter of syndicate 204 since its inception; Pitron is deputy underwriter of the combined syndicate 545/960; Sherlock is a director of Wise Speke, the group's stockbroking subsidiary.

Racing world goes turbo

Lee Richardson is swapping one mode of transport for another in his drive up the career ladder.

Currently a senior marketing executive with Hertz, the world's largest car rental and leasing organisation, Richardson, 36, has just been appointed marketing director of the British Horseracing Board. He joins the BHB on November 1.

Richardson qualified as an engineer with General Motors in 1979 and joined Hertz in 1981. He was Hertz's European marketing manager for the company's continental Europe Leasing Division in 1986 and spent two years in Brussels.

He returned to London and took over as marketing and sales director for the UK Rent A Car operation in 1990.

Last year he was made director of market planning covering Europe, the Middle East and Africa.

Soon to finish his MBA from the University of Strathclyde, Richardson is a member of the Chartered Institute of Marketing.

He says that as a life-long enthusiast for the turf he will be bringing a "consumer's understanding for the product" and that his central task will be to "develop a sustainable long-term marketing strategy for the Board".

The Board was set up this year to raise the profile of an industry which currently employs some 100,000 people in the UK.

Betting turnover is about £6bn annually, and about 5m people go to the races each year.

Its purpose is to secure the finances for the industry, attract more sponsorship and general ensure it becomes more commercially-minded.

But Richardson believes the sport is perhaps in danger of failing to attract a younger group of consumers, and that is one important issue which he intends addressing by using marketing skills.

"This is a marketing job first and foremost," says Richardson, ready for the off.

Theatre

Britain writ large on the South Bank

Malcolm Rutherford watches 12 hours of David Hare at London's Olivier

David Hare and the Royal National Theatre go together. Without Hare, the RNT would be hard put to find a contemporary British dramatist writing about contemporary British subjects on an epic scale. Yet without the RNT's massive staging resources, Hare's recent plays would be less worth seeing. The spectacle is bigger than the texts.

For someone who believes, as Hare manifestly does, that Britain is a country failing to live up to its potential, it is not surprising that some of the defects should be reflected in the national theatre. If there were a new young radical playwright following in the Hare tradition, he might satirise the RNT just as Hare derides other, older British institutions.

But does Hare deride or not? That is the question. After spending more than 12 hours watching his trilogy in the Olivier Theatre – the RNT's biggest stage – on Saturday, one is tempted to conclude that he is a whacking great conservative.

There can be no complaints about the running time. The trilogy consists of revivals of his earlier plays *Racing Demon*, (about the Church of England), *Murmuring Judges* (about prisons, the Bar and the police) and the première of *The Absence of War* which centres on the defeat of the Labour Party at last year's general election. One could have stayed for more. Indeed it would have been welcome to have seen a fourth play, bringing some of the characters together and summing it all up. For unless one takes Hare at his face value and accepts that everything that is wrong with Britain is to do with class and anachronisms, it is not always clear what he is saying.

The staging is magnificent. Those who have seen the earlier plays will remember the splendour of the way the Savoy Hotel is reproduced in *Racing Demon* and the Royal Opera House in *Murmuring Judges*. Nor is it all just show. Almost the dominant character in the Savoy scene is the head waiter, who doesn't speak but keeps a discretely watchful eye in case the customers should get out of hand. This is the power behind the scenes.

Absence of War goes further. The first scene is at the Whitehall Cenotaph. Although I suppose it must be smaller than the real thing, it doesn't look like that. There is a switch to the central lobby of the House of Commons at Westminster. The scene looks remarkably convincing. There is the same impression as there was at the Savoy of clerks and lackeys, and the pull of tradition, keeping behaviour in order.

All of that is a triumph, perhaps cumulatively even more so than in the individual plays, in sets by Bob Crowley. But what else? It is notable that all the great set-pieces, all the great designs, take place broadly within the same square mile. Possibly that is Hare's view of how power is exercised. Yet, even on that narrow interpretation, there is not much subtlety. Does anyone seriously think today that the Church of England is one of the great agents of the British establishment, even if the establishment had been defined in the first place?

On Saturday quite the best of the three plays looked to be *Absence of War*, especially in the second half. One suspects that is because it is the most topical, dealing with a subject that people still talk about. Yet it is still a curiously hybrid piece. Hare did a lot of research on the Labour Party election campaign, just as he did earlier on the church and the law. The result is that he knows a certain amount about the Party from inside. Much more puzzling is what he is trying to do with his knowledge.

Absence of War is neither documentary nor fair comment; nor is it particularly imaginative. John Thaw, who plays the Labour leader, the Rt Hon George Jones MP, does not look like Neil Kinnock. Perhaps he is meant to be a mixture of all past Labour leaders rolled into one: physically there is a touch of Harold Wilson, though without the Wilson intellect. Even then, some very strange references are inserted, such as the Labour leader having a preference for war and admiring the military machine. There is one remarkably odd character called Vera who might be intended as Barbara Castle. If so, like so much else, she doesn't quite fit.

Yet, as the plot unfolds, it is plain that the 1992 campaign is the subject, the party accepting defeat from the jaws of victory and the leader regretting that he has abandoned his old Bible and Shakespeare quotations for the language of the public sector borrowing requirement "and", as his deputy says, "all that bollocks, whatever it *is*". There is also a strong suggestion that the leader was not fully supported by his shadow chancellor, the Rt Hon Malcolm Price MP, played as a rather distant figure by Richard Pasco.

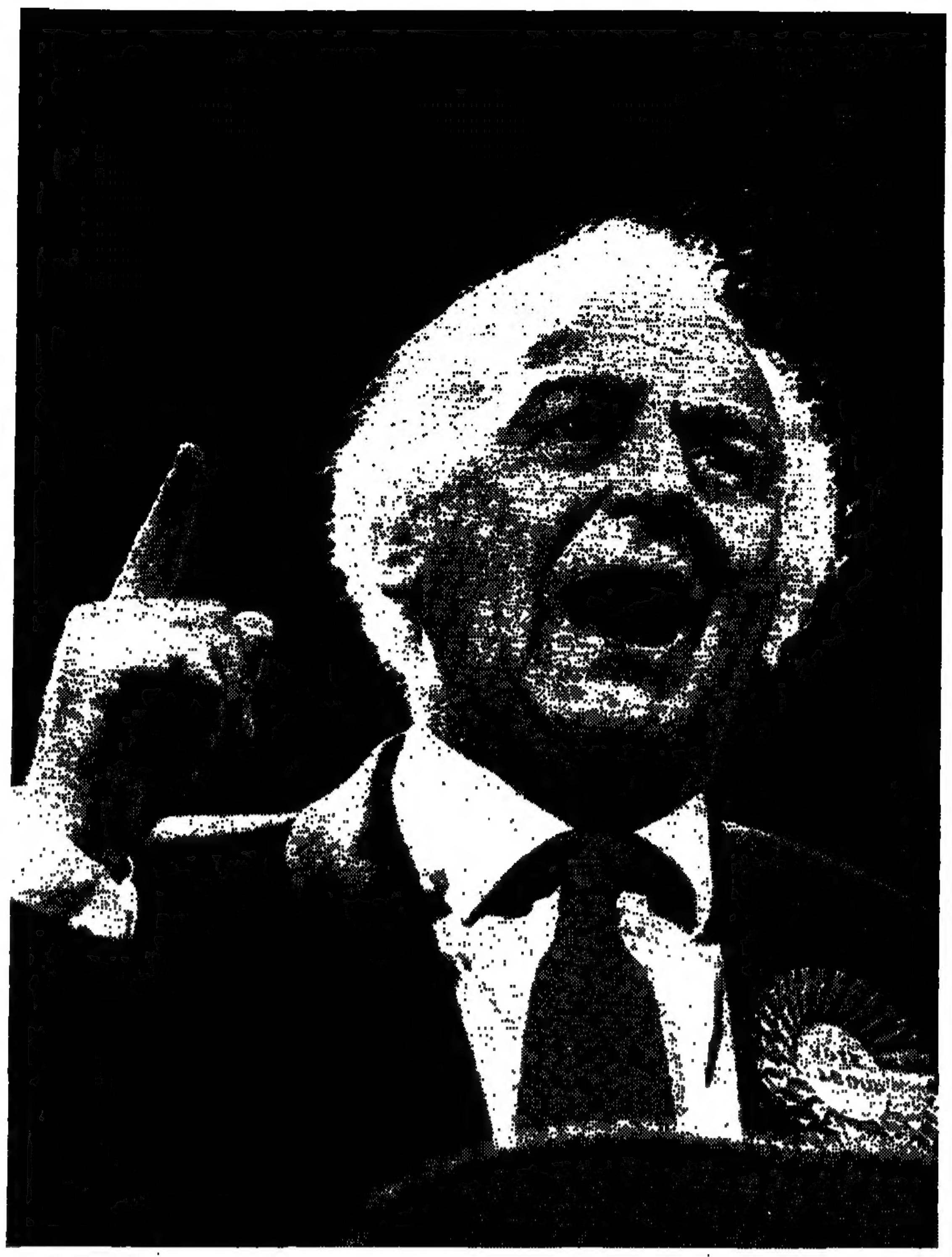
Two scenes reach the heights. One is a debate, close to election day, in an aircraft factory between the leader and the shadow chancellor about how the party should be led. (Hare's duologues between men are better than those between the sexes, where he tends to be trite.) The other is the leader being put through it in the television studio where, in the manner of British broadcasting, the interviewer (one Linus Frank played by Robin Bailey) takes over the programme.

Nothing else in *Absence of War* lives up to those exchanges. In the trilogy as a whole the outstanding performance and the outstanding part is Mark Strong as Detective Constable Barry Hopper in *Murmuring Judges*. No one could accuse Hare of being biased against the lower levels of the police. He clearly prefers them to barristers.

As a writer, Hare, you will observe, is not very good on feeling. His characters tend to be flat and his jokes written much in the style of the comedy programmes on the old BBC Home Service. Still, no other dramatist is writing about Britain on this scale. The direction is by Richard Eyre who has backed Hare all the way, and it would be very foolish not to go just because there are defects. This *is* the national theatre.

The trilogy is sponsored by Amerada Hess Limited.

In repertory, Royal National Theatre (071) 928 2252



Alastair Muir

John Thaw plays Labour leader George Jones in 'Absence of War' at the Olivier Theatre

Opera

Damp squib Zola

Faced with something as spirit-sappingly dim as *Thérèse Raquin* – the new Zola opera by Michael Finnissy which the Garden Venture is this month touring across southern and middle England – the critic committed to encouraging new work and living composers would naturally prefer to draw a veil over the whole subject. But in this case unavoidable issues are raised.

After all, the record of the Garden Venture, the Royal Opera's five-year-old forcing-house for (in its own words) "the writing and performance of new opera and music theatre in all their possibilities", is hardly encouraging; the annual programmes of short operas have regularly aroused criticisms as to overall quality and purpose, and the Venture's previous full-length opera, the 1992 *Biko*, was a thudder.

Now comes this damp squib of a Zola adaptation, which for 90 unbroken minutes – for heaven's sake, why? an interval is desperately needed! – meanders ineffectually along the margins of a melodramatic, rawly effective 19th-century novel. At what point, one begins to wonder, in the generation of new Garden Venture projects should questions of "quality control" be asked? With hindsight wisdom from Friday's première at the deliciously intimate Theatre Royal in Bury St Edmunds, I feel that, in this case, the answer is very early indeed.

In the past, one of the more unpredictable, livelier and prolific figures of the English avant-garde, Finnissy (b.1946) made a stirring impact with his first opera, *The Undivine Comedy* (Almeida Theatre, 1988). That was a turbulently original, questing piece of music-theatre. Its idiom, mixing lyrical fluency and expressionist angularity, had an often unadorned vividness that carried one over awkward or verbose patches. If I didn't know better, I would swear that the two works had been written in reverse order – that *Thérèse Raquin* was Finnissy juvenilia which deserved to be left in kindly obscurity.

The composer has drawn on both the novel and its later play adaptation for his libretto, a seven-movement structure for four singers and piano. The removal of subordinate characters and party scenes and the alteration (for the worse) of Zola's sensational double-suicide ending matters a certain amount – to my mind the novel more readily suggests operatic treatment on a scale comparable to Shostakovich's of Leskov's novella, *Lady Macbeth of the Misensk District*.

But what matters much more is that the "private" quality of Finnissy's chosen musical idiom comprehensively fails to engage the audience in his chosen dramatic scheme. In the programme he alerts us to its "period" touches and quotations, and warns us that the piano part is written to exist in a "parallel universe" to the words, not as their accompaniment. In spite of the tireless playing of Christopher Willis, its effect most of the time was of an enervated pianistic key-tickling while the four singers were left to get on as best they could with their largely colourless, ungrateful, obstinately undramatic vocal writing.

The single-set production (by Wilfred Judd, Garden Venture chief) is capable, although the absence of carefully defined breaks between scenes results in awkward pauses for scene-changes. The four singers were the soprano Heather Lorimer in the title role (she needs to press her words home much harder), the mezzo Linda Hirst (Mme Raquin), the counter-tenor Andrew Watts (Camille, who has the work's few moments of vocal interest) and – in the only rounded characterisation on stage – the baritone Richard Jackson as Laurent.

Max Loppert

Performances in Boston, Norwich, Leighton Buzzard, Hemel Hempstead, St Albans, King's Lynn, Stamford, Bedford, Spalding and – October 26-30 – French Institute, London SW7

Tamerlano

In a few weeks Opera North will be 15 years old. The company has performed almost 100 operas since its inception, and the new season demonstrates the high quota of unusual works in its repertoire, including this staging of Handel's *Tamerlano* at the Grand Theatre, Leeds.

Dating from 1982, it was originally a co-production with Welsh National Opera, produced and designed by Philip Prowse. There is a "designer opera" feel about it. The single set, subtly lit, is very arty – an imposing vision of a civilisation in decay, dominated by two stone horses, looking down on carefully arranged piles of debris, bricks and corpses thrown together, all sprinkled with a layer of dusty grey.

The plot would have us believe this to be a grand and ruined city of the Ottoman empire after its sack by the Mongols, but there is another way to read it, too. Opera producers of the late 20th century seem intent on telling us that Handel's operas are museum pieces, written in a style that is defunct. It is a small step from there to set this opera in the remains of a great civilisation, its splendour gone, its social order in ruins.

The question is: could Opera North blow off the dust for this revival? *Tamerlano* is highly regarded for the quality of its music, but it is not one of those bold and daring operas in which Handel sweeps aside the conventions of his day in the white heat of inspiration – at least not until the closing quarter-of-an-hour. The singers must work to bring it alive.

In the title-role, Christopher Robson came close to turning tragedy into farce. This was the murderous despot Tamburlaine turned into a spiteful, preening peacock. A ring in his ear, a ridiculously long, brocaded cloak trailing behind him, he was made to strut around the stage like a walking parody of a Baroque castrato. The voice lacks authority and the way in which he spat out the words belittled the character's stature.

For naturalness of expression Rosa Mannion was the most convincing, making all of the soprano Asteria's slow music hold the attention. Graham Pushee, the second counter-tenor in the cast, brought a bright and forward vocal manner to Andronicus (his duet with Asteria was the evening's most stylish piece of singing). Patricia Bardon ennobled Irene with an old-fashioned Handelian contralto; Geoffrey Dolton made the words count as Leone.

With Roy Goodman persuading Opera North's musicians to adopt pseudo-authentic musical practice, there was a fair amount of forward impetus. I regret only his decision to restore the numbers near the end cut by Handel before the first performance. For at this point Philip Langridge had just seized centre-stage for Bajazet's death scene. He may not be the most stylish Handelian tenor, but he shattered the tedium, blew away the camp, left words and music burning with intensity, as though he believed Handelian opera to be a living thing. Then the dust settled again.

Richard Fairman

New York/**Karen Fricker**

Experience the divine Bette Midler

With the Broadway theatre season still a few weeks off, Bette Midler is about the only show in New York these days. She is playing a six-week stint at Radio City Music Hall, where her famously loyal following is paying up to $100 per ticket to *Experience the Divine*, as the concert is called. (Though the run, which ends October 23, is ostensibly sold out, there are returns available at Radio City most evenings).

Midler has not appeared in a major concert for 10 years – she has been busy becoming internationally famous – and there was much speculation about which Bette we were going to see: the raunchy, raucous "Divine Miss M", who got her start singing in gay bathhouses in the 1970s, or the kinder, gentler 1980s Bette, she of Disney films (*Down and Out in Beverly Hills, Beaches*) and treacly top-10 pop songs (*From a Distance, Wind Beneath my Wings*).

Experience the Divine is a heady mixture of both Bettes. Alternately brassy and coy, loud and girlish, belting and crooning, Midler owns the stage; she is simply one of the best live entertainers around (two of America's other great divas – Shirley MacLaine and Liza Minnelli – were in the audience, adding to the starry frisson). Platinum blond and slender, Midler has never looked better, and she knows it; one of her first songs is a playful rap called "I Look Good". She is well into her forties, but her asides about "being too old for this" are clearly disingenuous; the show lasts three hours, and Midler's energy never flags.

Midler knows that her ballads are what the audience – mostly middle-aged suburbanites – wants, and she works through them all, backed with appropriate lushness by a seven-piece band. But the concert's divinest moments are when she is in high-attitude mode; she hits her stride halfway through the first set with her torchy old hit "Delta Dawn" ("This song's from the 70s ... as are most of you. Hell, so am I!")

The brassy spirit of Sophie Tucker, the legendary vaudeville performer and Midler's idol, hangs over the concert, and Midler conjures her directly in a series of bawdy jokes she delivers as "Soph". Midler's onstage identity, like Tucker's, has much to do with her Jewishness, and she gets a lot of comic mileage out of the recent High Holy Days and out of current political events ("Oy! This food! If Yassir Arafat knew what our food was like, this treaty would be off in a second!"). She finishes off the first set with a rousing "Rose's Turn" from the classic Jule Styne musical *Gypsy*, a nifty piece of advertising for a television version of the musical that she is starring in this autumn.

The second set veers quickly into high camp, with a routine that Midler aficionados found hilarious but which mystified me – the performer was in the guise of Dolores Delago, a blue-tailed mermaid in a motorised wheelchair who spouts self-help palaver.

While the band and backup singers (who Midler calls "The Harlettes") make their way through a ukulele number (a tribute, perhaps, to Midler's roots; she was born and raised in Hawaii), Midler changes into a sophisticated beige cocktail dress and then offers a particularly committed rendition of the classic wailer, "Stay With Me, Baby".

An old-fashioned entertainer, Midler ends the concert with old-fashioned good manners, coming out after the final encore to wish the audience good-night and tell them they are fabulous. So is she.

INTERNATIONAL ARTS GUIDE

BERLIN

OPERA/DANCE

Deutsche Oper The Tokyo Ballet ends its three-week residency with performances tomorrow, Wed and Thurs of a mixed bill, choreographies by Balanchine, Blaska and Béjart. The ensemble of the Deutsche Oper, currently on tour in Japan, resumes performances in Berlin on Oct 15 (341 0249)

Staatsoper unter den Linden Dix, Roland Petit's new ballet inspired by the paintings of Otto Dix, can be seen tonight and Fri. Repertory also includes Rigoletto, Die Zauberflöte and Tannhäuser. Georg Solti conducts concerts on Oct 15 and 16 (200 4762/2035 4494)

CONCERTS

Philharmonie Tonight and tomorrow: Georges Pretre conducts Berlin Philharmonic Orchestra in works by Webern, Roussel and Tchaikovsky. Fri: Alain Lombard conducts Orchestre National Bordeaux Aquitaine in Brahms and Bartok, with piano soloist Bruno-Leonardo Gelber. Sat and Sun: Claudio Abbado conducts Mahler's Ninth Symphony. Abbado conducts another Mahler programme on Oct 13, 14 and 15, before taking the Berlin Philharmonic on a North American tour from Oct 17 to Nov 1 (2548 8232)

Schauspielhaus Fri: Amalie Malling piano recital. Sat: Michael Schoenwandt conducts Berlin Symphony Orchestra and Radio Chorus in Schumann's Manfred. Sun: Natalia Gutman plays Bach cello suites (2090 2156)

THEATRE

Duell Traktor Fatzer, a Brecht and Heiner Müller evening devised by Müller, Eva Mattes and Ekkehard Schall, has just opened at Berliner Ensemble. On Fri, the company premieres a staging of Der Brotladen, a Brecht fragment on the social ills of mass unemployment (282 3160). A new production of George Tabori's Goldberg Variations opens tomorrow at Maxim Gorki Theater (208 2783). Repertory at Volksbühne am Rosa-Luxemburg-Platz includes a new production of Shakespeare's Othello directed by Andreas Kriegenburg (3087 4661). The Kander and Ebb musical Cabaret can be seen daily except Mon at Theater des Westens (3190 3193)

NEW YORK

THEATRE

- The Madness of George III: Nigel Hawthorne stars in Nicholas Hytner's National Theatre production of Alan Bennett's award-winning history play. Ends on Sun (Brooklyn Academy of Music, 30 Lafayette St, 718-636 4100)
- The Maids: Charles Busch is Solange in this production of Jean Genet's 1947 play. Till Oct 31 (Classic Stage Company, 136 East 13th St, 677 4210)
- Forbidden Broadway 1994: a new edition of Gerard Alessandrini's parodies, including spoofs of Angels in America, Sunset Boulevard and The Who's Tommy. Previews start tomorrow (Theatre East, 211 East 60th St, 838 9090)
- Later Life: A.R. Gurney's witty and perceptive new play about the reunion after 30 years of a man and woman who were once in love (Westside, 407 West 43rd St, 307 4100)
- She Loves Me: the charming 1963 Bock, Harnick and Masteroff musical makes a long-awaited return to Broadway in a transfer of Scott Ellis' Roundabout Theatre production first seen in June (Brooks Atkinson, 256 West 47th St, 307 4100)
- Thuli: South African performer Thuli Dumakude sings and tells stories of her homeland (Village Gate, 160 Bleecker St, 475 5120)
- Annie Warbucks: Kathryn Zaremba, an infant phenomenon if ever there was one, has the title role in this sequel to Annie (Variety Arts, Third Ave at 14th St, 239 6200)

OPERA/DANCE

State Theater This week is devoted to New York City Opera's world premiere festival: first performances of Ezra Laderman's opera about Marilyn Monroe (Wed, Sat and next Tues); Griffelkin, an allegorical tale by Lukas Foss (Thurs and Sat afternoon); and Hugo Weisgall's Esther, based on the Old Testament heroine (Fri and Sun afternoon). This month's repertory also includes The Mikado, Carmen and three Puccini operas (870 5570)

Metropolitan Opera Tonight and Fri: Die Zauberflöte with Dawn Upshaw, Jerry Hadley and Hans Sotin. Tomorrow and Sat evening: Madama Butterfly with Yoko Watanabe and Richard Leech. Wed and Sat afternoon: Tosca with Maria Guleghina, Placido Domingo and Sherrill Milnes. Thurs and next Mon: Fidelio with Gabriela Benackova and Marie McLaughlin. Oct 21: new production of Stiffelio with Domingo (362 6000)

City Center Martha Graham Dance Company opens a two-week season tomorrow, including Twyla Tharp's first work for the company and a guest appearance by Natalia Makarova (581 1212)

Joyce Theater Aman Ensemble opens a week of performances tomorrow with a range of multi-cultural dances choreographed by Laura Dean (242 0800)

CONCERTS

Avery Fisher Hall Kurt Masur conducts two New York Philharmonic programmes this week. Tonight: symphonies by Mozart and Bruckner. Thurs, Fri, Sat, next Tues: works by Glinka, Tchaikovsky, Janacek and Liszt, with violin soloist Sarah Chang. Oct 15: Seiji Ozawa conducts Boston Symphony. Oct 22: Masur conducts Leipzig Gewandhaus Orchestra (875 5030)

Carnegie Hall Arve Tellefsen and friends play chamber music by Grieg, Schumann and Brahms on Fri. Peter Serkin gives a piano recital next Tues. Oct 15, 16: Maazel conducts Pittsburgh Symphony Orchestra. Oct 28, 29, 30: Abbado conducts Berlin Philharmonic (247 7800)

JAZZ/CABARET

- Billy Joel is at Madison Square Garden till Oct 12 (465 6000)
- Dave Brubeck Quartet opens a week of performances tomorrow at the Blue Note Jazz Club and Restaurant (475 8592)
- Lainie Kazan, singer and sometime film actress, known for her earthy wit, is in cabaret at Rainbow and Stars (632 5000)
- Barbara Cook, Broadway ingénue turned cabaret legend, is singing at Carlyle Hotel (744 1600)

PARIS

DANCE

Palais Garnier Ballet de l'Opéra de Paris opens its season with a Soirée d'Ouverture, featuring a grand parade of dancers and choreographies by Lander, Bessy and Forsythe (daily till Fri). Oct 12-16: Twyla Tharp (4742 5371)

Théâtre de la Ville La La La Human Steps can be seen daily from Wed till Sat, choreography by Edouard Lock. Oct 12-16: Karine Saporta (4274 2277)

Opéra Comique Ballet Theatre of St Petersburg, directed by Boris Eifman, present a Tchaikovsky programme daily from tomorrow till Sat (4286 8883)

OPERA

Opéra Bastille Der fliegende Holländer, staged by Werner Herzog, conducted by Myung-Whun Chung, runs till Oct 18 with alternating casts including Simon Estes and Victor Braun as the Dutchman. Roman Polanski's Les Contes d'Hoffmann is revived on Sat and runs till Oct 29, with David Rendall, Gregory Yurisich and Luciana Serra (4473 1300)

Châtelet Tomorrow: Armin Jordan conducts final performance of Adolf Dresen's new production of Der Rosenkavalier, with Felicity Lott (4028 2840)

CONCERTS

Salle Gaveau Tonight: Carlo Bergonzi farewell recital (4953 0507)

Opéra Bastille Tonight: Michel Martin conducts Ensemble Musical de Paris in string serenades by Tchaikovsky, Elgar and Dvorak. Thurs: Myung-Whun Chung conducts French premiere of Messiaen's Eclairs sur l'au delà (4473 1300)

Châtelet Tonight: Kent Nagano conducts Orchestre de l'Opéra de Lyon in its tenth anniversary concert, featuring works by Benjamin, Debussy, Mahler and Stravinsky, with baritone soloist José van Dam. Fri: Jeffrey Tate conducts Orchestre National de France in Liszt and Richard Strauss. Sun morning: Sine Nomine Quartet, with pianist François Kerdoncuff, gives French premiere of Wilhelm Furtwängler's Piano Quintet (4028 2840)

Salle Pleyel Wed, Thurs, Fri: Carlo Maria Giulini conducts Orchestre de Paris in Franck, Ravel and Debussy (4561 0630)

Maison de Radio France Sat: Yehudi Menuhin conducts Orchestre Philharmonique de Radio France in music by Pärt and Mozart (4230 1516)

JAZZ/CABARET

Chubby and Duffy Jackson Quintet, pairing veteran swing bassist Chubby with his virtuoso percussionist son Duffy, are in residence for the next two weeks at Lionel Hampton Jazz Club (Hotel Meridien Paris Etoile, 81 Boulevard Gouvion St Cyr, tel 4068 3042)

ARTS GUIDE

Monday: Berlin, New York and Paris.
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
Wednesday: France, Germany, Scandinavia.
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide.

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Sky News: Financial Times Reports 1330; 2030

Samuel Brittan

Where Gatt's $200bn really comes from

Supporters as well as opponents of freer world trade have been bemused by the much repeated figure of $213bn as the annual gain to world income resulting from a successful conclusion to the Gatt negotiations.

This figure is a bona fide estimate, which underestimates the likely gains. It comes from a joint OECD-World Bank study, which has appeared in a variety of forms culminating in the present study; and the net effect has not been user-friendly. For, like so many modern researchers, the authors find it terribly difficult to strike a middle way between exhaustive technical description and excessively short executive summaries, in which numbers are thrown out on a take-or-leave it basis.

The first and simplest question is: to what does the figure refer? The more precise estimate of $213bn is the difference between world real income in the year 2002 based on the projecting of existing trends, and world real income assuming a successful conclusion of the Gatt round – all expressed in dollars of 1992 purchasing power. Is it a high or low number? If you want to make it seem high you can say that it is about half the present income of China. If you want to make it seem low you can say that it is about three-quarters of a per cent of estimated world GNP in 2002.

A fractional increase of this size is not in fact small. It is nearly a third of a normal year's growth in a typical OECD country. Moreover it is completely wrong to compare it, as some politicians do, with a monetary or fiscal boost, or business cycle spurt, of comparable magnitude. It is an efficiency gain which gradually accumulates over a decade; and unlike a short-term boost, is unlikely to be reversed.

The study assumes that a successful Gatt round is roughly equivalent to a 30 per cent cut in effective protection both for agriculture and for industry. But because the agricultural barriers are now much higher than industrial tariffs, the bulk of the gain comes from freeing agriculture.

There are some subtleties in the analysis. For the greatest early gains are associated with increases, rather than decreases, in the world price of cereals and other main temperate products. This is because subsidies and other distortions artificially depress prices on international markets, but often raise those at home. For example, the domestic price of cereal crops in the EC is 50 per cent higher than the world one. This difference, which some economists call "the wedge", was 250 per cent for Japan, largely due to the heavy protection of indigenous rice producers.

Many of the initial gains will come from removing such price distortions, which discourage consumers from spending their income in a way which reflects the opportunities open to them in the international markets. Ultimately the producer gains will follow too, as resources are switched from, say, uneconomic European farms to products in which European countries have a true advantage.

In the EC, the average consumer paid in 1992 $450 for agricultural protection. In the US he paid $360 and in Japan $600. It is because these losses are so high that the greatest gains are shown to these parts of the world. The main losers are a few developing countries which are also heavy food importers; but they have loyally supported the trade talks.

Why is the study an understatement? Most obviously, because it excludes services and industrial import quotas, which are difficult to quantify but feature largely in the Gatt talks. Moreover most such studies concentrate on essentially locational changes in the composition of consumption and production and cannot really quantify the possibly large dynamic gains as those emerging from more competition for sleepy producers.

One benefit which the authors do try to quantify is the beneficial effect on jobs from higher real income. The idea is that if real incomes are boosted by lowering protective barriers at given rates of wages, European workers will be less likely to insist on pushing wages above market clearing levels; and economies will be able to run with lower reserves of unemployment without incurring runaway inflation. But because the forces behind unemployment are so controversial and little understood, the authors wisely leave out such effects from their main projections.

Meanwhile it is a reflection on the cramping influence of pressure group politics and bogus rural romanticism that the countries which would gain most from freer agricultural trade are proving most obdurate in the current talks.

Annual gains from trade liberalisation by 2002 (in 1992 $bn)

Low income Asia	1.8
China	37.0
India	4.6
sub total	43.4
Upper income Asia	20.6
Indonesia	-1.9
sub total	18.8
Other Africa	-0.6
Nigeria	-1.0
South Africa	-0.4
Maghreb	-0.6
sub total	-2.6
Mediterranean	-1.6
Gulf region	3.1
sub total	1.5
Other Latin American	4.4
Brazil	3.4
Mexico	0.3
sub total	8.0
US	18.8
Canada	2.5
Australia/New Zealand	1.1
Japan	25.9
EC	80.7
EFTA	12.8
sub total	141.8
Eastern Europe	1.4
Former Soviet Union	0.8
sub total	2.1
TOTAL	213.0

Source: OECD

Search for wealth in the waste

Bronwen Maddox assesses the economic case for the Thorp nuclear reprocessing plant

The fierce debate about whether the Thorp nuclear reprocessing plant in Cumbria should get the go-ahead moves a step further towards resolution today, with the end of a two-month public consultation.

One of the tasks of the consultation is to weigh up whether there is an economic case for the plant. Responses have poured in from both sides of the debate, and officials at the UK Department of the Environment's damp-stained 1970s tower block in Westminster must now weigh up the arguments. A final decision on the plant's fate is expected later this year.

Meanwhile, British Nuclear Fuels, the plant's owner, waits to find if its 10-year project, which has consumed £2.8bn, has a future. The plant is designed to take used fuel rods from nuclear power stations and separate out the reusable plutonium and uranium, leaving a smaller amount of unusable radioactive waste. Its engineers are now testing the plant with small amounts of uranium to ensure that the gleaming steel pipes and the tiers of computer screens are ready to start immediately if the government grants a licence.

The decision about whether to approve the plant is one of the most controversial industrial decisions facing the government. Greenpeace, the environmental pressure group, has already taken the government to court, though it failed to block testing of the plant. BNF, which has no other source of long-term business, has said Britain's international reputation for nuclear expertise will be irrevocably damaged if the plant is abandoned.

The government has said that it is "minded" to give the go-ahead on the basis of an earlier public consultation this year, which concluded that there were no environmental or health risks. But the attorney-general said in May it also had to consider the economic case for the plant, as well as the issue of the proliferation of nuclear weapons capability. If the plant makes a loss, taxpayers will foot the bill. If Thorp saddles UK nuclear power companies with higher costs than other methods of disposing of fuel rods, electricity consumers will pay.

Assessment of the economic case, however, is far from easy. At the heart of the debate is BNF's claim that, if the plant is abandoned, the UK will lose at least £950m in profits over the first 10 years of the plant's life. The UK might also have to pay back some of the £1bn-odd of foreign customers' money used to build the plant.

BNF's claim takes account of the revenue that would be lost if Thorp were abandoned, the savings from not having to run the plant or decommission it at the end of its life, and the expense of building alternative stores for the fuel.

Thorp's critics have attacked the £950m figure – which has not been audited by the government – on several grounds. The revenue from Thorp, they say, will not be as high as BNF predicts. Although Thorp has £9bn of contracted orders for its first decade, critics question whether customers will honour the contracts.

The reason for doubt is that reprocessing now looks more expensive than other methods of treating used nuclear fuel, such as "dry storage" – storing the fuel for years without separating its components before a final decision about how to dispose of it. Greenpeace argues that reprocessing is about twice as expensive as dry storage, based on figures from Scottish Nuclear Fuels and the government's Radioactive Waste Management Advisory Committee.

A second reason for questioning the £950m figure is that customers, mainly German and Japanese power utilities, may prove reluctant to take back the uranium, plutonium and radioactive waste produced by reprocessing. Their contracts require them to take it back, but public opinion at home may be hostile to the radioactive shipments. Mr William Walker of the Science Policy Research Unit at Sussex University has argued that, because this may dissuade customers from sending fuel to Thorp, the plant is unlikely to run at full capacity.

A third line of criticism is that the plant's costs could be higher than budgeted, and that customers, even though it is stipulated in their contracts, may refuse to pay the increased costs.

BNF has responded to all these points by arguing that its profits are protected by the customer contracts. Under tough penalty clauses, customers are obliged to absorb extra costs, and would have to compensate BNF entirely if they wanted to cancel their contracts, it says.

These claims and counterclaims, which have been set out in reams of reports from BNF and its critics throughout the year, are impossible to prove at present. Partly, the answers lie hidden in the details of the customer contracts, which BNF and its shareholder, the Department of Trade and Industry, have refused to disclose on grounds of customer confidentiality.

But they are also dependent on future political pressures in Japan and Germany, and on how their current debates about nuclear power progress. The UK government's relations with those countries is also vital: would it choose to enforce every clause of the contracts, at risk of offending its trading partners?

In spite of these obstacles, the government will have to make a judgment soon on whether Thorp will be profitable for Britain. A short answer is yes, probably. The main customers have recently and publicly pledged their support, and an early attempt to break the contracts seems unlikely. There are, though, reasons to find BNF's projections too optimistic, because of the uncertainty of customers' behaviour a decade from now.

Officials in the Treasury and DoE share the conclusion that there is an economic case for the plant, although it is perhaps not as strong as BNF suggests. DTI officials express more confidence that BNF's projections are sound.

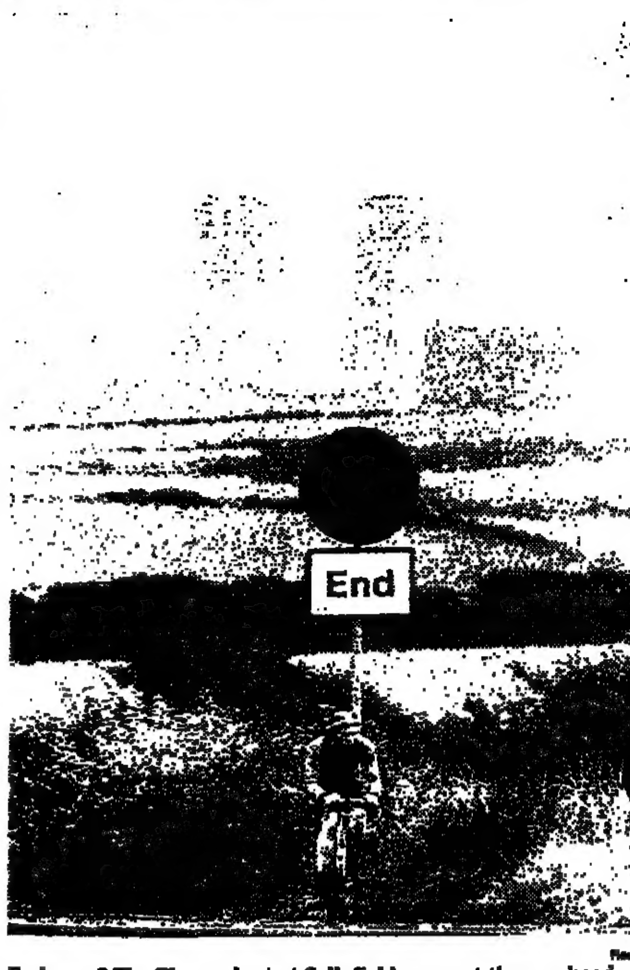
If the plant is likely to be profitable, giving the go-ahead would be acceptable to the Treasury. However, that does not mean it is economically the best solution for the UK or for Thorp's customers. The UK might make more money from abandoning Thorp but offering to keep customers' fuel in dry storage, Greenpeace has suggested in its response to the public consultation.

Although this is regarded by BNF as a near-unthinkable option, it has been considered briefly by the government. Early this year, in confidential discussions organised by a cabinet committee, Treasury officials questioned whether it might be mutually advantageous for the UK and for Thorp's customers to abandon the plant if all parties were released from penalty clauses in their contracts. Customers would gain from being able to choose cheaper options such as dry storage of fuel. The UK would gain if it could charge them for running that storage.

Officials christened this scenario the "win-win" option. They also noted that Britain and Thorp's customers might be caught in a "prisoner's dilemma": a branch of economics called "game theory" describes the way that each party, acting in self-interest, reaches a worse economic outcome than they would if they were able to collude. Dry storage might offer the way out.

But the "win-win" option was put aside by the cabinet committee in subsequent discussions. It would be too difficult and time-consuming to raise the question with Thorp's customers, officials decided, and the outcome would be hard to predict. Britain might be forced by Thorp's customers to pay penalties itself if it suggested it did not want to go ahead with the plant.

If the government's response to the public consultation sticks to a narrow brief, it will simply weigh up whether the plant will make a profit or whether it will pose any risk of saddling the taxpayer with losses. But the government now has another chance to examine, before the button is pressed, whether Thorp is really the best and most profitable way forward for Britain to dispose of nuclear waste.



Reuter

Endgame? The Thorp plant at Sellafield may get the go-ahead

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Emu not a discredited objective

From Mr John Szemerey.

Sir, In his very sound article "More Maastricht to come" (September 27) Ian Davidson errs in referring to "the old (and discredited) objective of European Monetary Union".

He should not fall into the trap of mouthing excuses thought up by politicians whose policies have failed and who, like a bad carpenter, either blame their tools or pretend that the objective was wrong.

No, sir. European Monetary Union is still very much on the cards. And why not? There has been a British Monetary Union in the UK for years. No-one challenges or questions that. Its advantages are so obvious that it is taken for granted. Why should not the countries of the European Community enjoy similar advantages?

Monetary union will facilitate the free movement of people throughout the European Community and it will be a major boost to community-wide trade.

The difficulty is how to get from the present situation of each EC country (except Belgium and Luxembourg, which already have a monetary union) having its own currency and its own economic and monetary policies, to the target situation of the European Community having one currency. And this accompanied, as it must be, by one economic and monetary policy. The ERM is one means of getting from the status quo to the target situation. Britain's prime minister, John Major, has himself suggested another (the "hard Ecu"). And there are others.

What is needed now is an objective assessment of what went wrong with the ERM and either the modification of the ERM to ensure that similar monetary disturbances do not happen again or the replacement of ERM by some other system that avoids the identified pitfalls. Then full speed ahead to Emu.

We should not fool ourselves by believing the excuses of politicians who have failed.

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Belgium

Firm stand must be made to 'open skies'

From Mr Derek Prentice.

Sir, Your excellent editorial on the EC's programme of air liberalisation correctly points out that it is consumers who stand to lose most if the Community's laudable "open skies" policy is stalled ("Clouds in EC open skies", September 28).

Three waves of deregulation over the last six years have hardly stirred the web of air cartels which, with the blessing of the majority of EC governments, criss-crosses the European skies. Such cartels, operated mainly by state-owned or dominant airlines and those to whom governments granted monopoly or special rights, amount to little more than institutionalised plunder of passengers' pockets.

This state of affairs must not be allowed to continue. The prospect of true competition terrifies the likes of Air France and the Belgian national air line, Sabena; but in the face of massively funded vested interests, and a common front challenged (to their credit) only by the UK and Netherlands governments, consumers have historically had little opportunity, except through the vociferous clamour of national, European and international groups, to object. And while consumers have been, to use the vernacular, "stitched up", airlines and governments have together, irritatingly and erroneously, claimed that they have been "acting in the consumer's best interests".

Sir Leon Brittan has publicly stated that "competition must continue to be the driving force [in the promotion of airborne free enterprise]" and that the whole effort to open up the skies and relax government restrictions on airlines "would have little effect if we were to allow airlines to reintroduce these restrictions by private action". He is right.

The EC must stand firm against those vested interests within industry and government which would undo half a decade's progress – what little there has been – towards a free market in the air.

If Brussels loses its nerve at this critical point, the benefits for consumers could be lost for ever.

Derek Prentice,
assistant director,
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Problem an opportunity

From Mr Geoff Arnold.

Sir, I was disappointed to read the quotes from Roger Key, partner at consulting actuaries, R Watson and Sons, in your story "Goode report strikes a fine balance" (October 1) and in the Lex column ("Goode intentions") in reaction to the Goode report recommendation on a 90 per cent solvency floor test for a final salary pensions scheme's wind-up position.

They were, respectively, that "many actuaries are likely to recommend that schemes switch their investments to gilts which historically have yielded less than equities" and that "heavier investment in gilts would surely result".

By the judicious use of derivatives (one market-leading investment house has a Guaranteed Fund, which gives a 90 per cent guarantee on the value of equities purchased based on previous years price highs) the potential problem subsequently becomes an attractive opportunity.

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Ludicrous for US to impose high textiles tariffs

From J A Nightingale.

Sir, I am delighted that your leading article "End game in the Gatt" (September 29) highlights the need for reductions in the high US tariffs on apparel and textiles to levels comparable to those of the European Community.

It is quite ludicrous that the US, one of the world's strongest economies, continues to impose tariffs which, on some textile products, can exceed 40 per cent.

The tariff-cutting formula agreed in Tokyo in July requires these tariff peaks to be reduced by half, but the US administration has so far failed to carry this agreement into effect. Its latest offer would still leave peak tariffs of almost 30 per cent – a totally unacceptable position.

Of course, even the tariffs imposed by the US are low compared to the 100 per cent-plus tariff rates found in many developing countries, often accompanied by wide-ranging import bans.

These other countries must be persuaded to play their own part in reducing trade barriers in apparel and textiles – but a revised offer by the US incorporating the agreed Tokyo formula is an essential preliminary.

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No reason to speak English to the Wise Men

From Mr Bernard Attali.

Sir, I was most surprised to read that Sir Michael Bishop, chairman of British Midland, had complained about my speaking in French to the EC Committee of Wise Men ("Pardon", September 23). May I say that I never heard such a complaint from him while I was there. There is no reason to deliver a speech in English to an EC committee meeting in Brussels, where, moreover, most of the members are French-speaking. To my knowledge, English is no more the official language of the European Community than French.

I would like to add that an English translation of my speech was available at the time and that I answered in English every question asked in English.

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Euro airline alliances

Match-making in the European airline industry is at fever pitch. Later today, Germany's Lufthansa is expected to announce a far-reaching alliance with United Airlines, the second biggest US carrier. At the same time, negotiations between Scandinavian Airlines System, KLM Royal Dutch Airlines, Swissair and Austrian Airlines about forming a new force in the European market have reached a critical stage. Both initiatives are, in part, a response to British Airways' recent acquisition of a 24.9 per cent stake in USAir as part of its strategy of converting itself from national flag-carrier into global airline.

The wave of mergers, joint ventures, co-operation agreements and the like presents both opportunities and dangers for Europe's airline passengers. Theoretically, it could sweep away national monopolies and replace them with competing global carriers. In the process, economies of scale could be achieved, fares cut from excessive levels and passengers offered the convenience of choosing between a number of one-stop shops capable of flying them almost anywhere in the world.

The downside risk is that the industry will turn itself once again into a global cartel. The industry's monopolistic traditions are certainly cause for concern. So is the recession, which has cost Europe's airlines $3bn in the past three years. Several European state-owned airlines are already trying to avoid the consequences of the European Community's recently implemented open skies policy by pleading for further injections of state aid. There has also been a call for a return to old cartel practices. Fortunately, the Commission has so far said no, but political pressures are strong.

It might seem that the Commission should guard against cartelisation by taking a hard line against alliances. But this would not be the optimal policy. The current patchwork of national carriers is not an efficient industry structure but a testimony to the industry's monopoly past. Restructuring on global lines will, in many cases, produce a more rational structure.

Opening markets

A better antidote to cartelisation would be further opening up of markets. Despite recent liberalisation, substantial barriers to entry remain. The Commission and national governments should focus on three areas. First, enabling new entrants to get access to take-off and landing slots at congested airports. In part, this will involve increasing the overall supply of slots by improving the infrastructure in air and on ground. But it will also be necessary in some cases to remove slots from dominant players. The European Commission has proposals on these lines, but they are so controversial that they have yet to be put to member states for approval.

Second, a crackdown on unfair competition. Central to this should be a continued hard line by the Commission on state subsidies. But it will also be increasingly necessary to prevent predatory behaviour as the industry consolidates into a smaller number of larger groups. Dominant players must not think that they will be allowed to drive new entrants out of the market by pricing below costs or engaging in other underhand tactics.

Free competition

Third, freeing up competition on transatlantic and other intercontinental routes. The current bilateral pacts between national governments are in general highly restrictive, often underwriting back-door carve-ups of markets between established players. Such anti-competitive measures are reinforced by laws preventing non-EC groups owning more than 49 per cent of an EC airline and parallel restrictions in other jurisdictions.

Further opening up of airline markets in Europe would certainly be painful for many of the established players. Some of them would certainly not survive in their current form, which would cause political difficulties given the emotional attachment most countries have to their flag-carriers.

But the current alliances must go hand in hand with a further dose of liberalisation. Otherwise, the industry will merely find a new way to cling on to its cartel practices. That would be bad for passengers and probably against the industry's long-term interests too. Governments and the Commission must act.

Brazil and its constitution

Brazil's legislators have an historic chance this week to improve the lot of the people who voted for them. On Wednesday they are due to start work on revising the country's 1988 constitution, which has been an important hindrance to sensible government. If the opportunity is used wisely, a big step will have been taken towards improving economic management. With presidential and congressional elections due next year, constitutional revision could even open the way for a more fundamental resolution of the country's difficulties.

Part of the problem lies in the current constitution's sheer complexity. The best constitutions are relatively simple: that of the US and its 27 amendments can be printed on six sides of paper. By contrast, the Brazilian constitution's 123 pages represent more of a wish list from legislators after 20 years of military government than a coherent code of individual rights and state powers. This has made Brazil – already difficult to govern because of its size and diversity – almost impossible to rule responsibly. It has been all too effective in constraining the federal government in the fight against inflation, doling out a huge proportion of federal government revenues to the states and municipalities but leaving the concomitant responsibilities – for example for education – with the federal government. As a result local governments have engaged in a frenzy of hiring and spending, while the central government has been faced with an increasing structural fiscal deficit.

Rising inflation

This deficit – the public sector borrowing requirement last year equalled 40 per cent of gross domestic product – has been driving inflation. Now touching 35 per cent a month, inflation could rise to 40 per cent by the year-end. That this has not already generated consensus among legislators on the dangers of the fiscal deficit reflects conventional Brazilian wisdom that unemployment is a greater problem than inflation, and continuing confidence in economic growth – this year expected to be about 5 per cent. Yet inflation is now calling the durability of that growth into doubt. Signs of public unrest – street protests and clashes between the police and the poor – suggest that traditional Brazilian passivity in the face of inflation is breaking down.

In leading the campaign for a revision, Mr Fernando Henrique Cardoso, the finance minister, acknowledges that the current constitution is a source of fiscal indiscipline. The constitutional assembly should start by addressing the mismatch of revenues and responsibilities between the centre and the regions. Given Brasilia's own propensity for waste, responsibilities should be devolved to the regions rather than more revenues kept at the centre.

Job restrictions

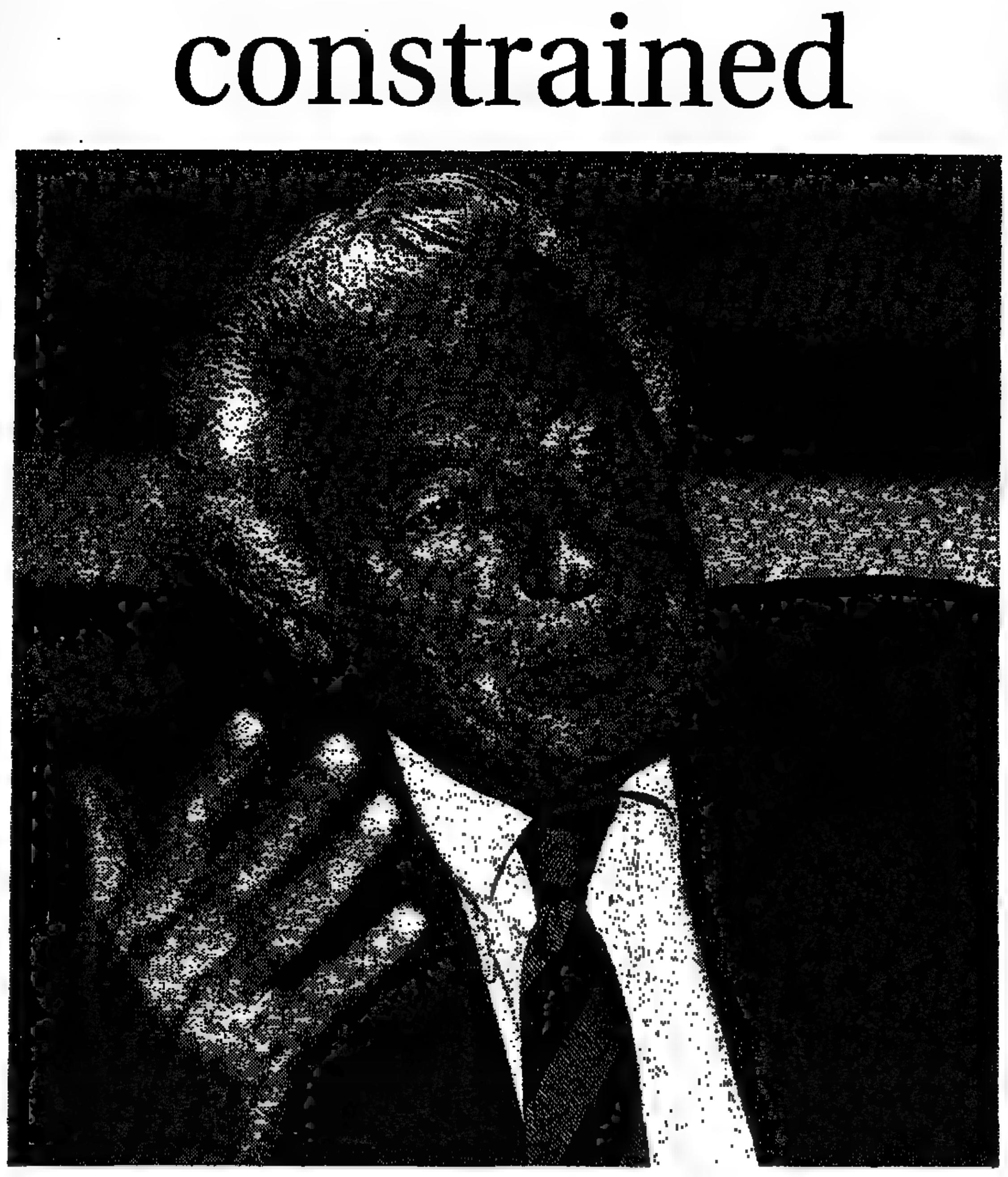
Other constraints on sensible fiscal management can also be lifted. Constitutional provisions guaranteeing the jobs of government employees for life and providing them with unequalled benefits during work and retirement should be abolished. Those restrictions, which are holding up the privatisation of state-run companies, should be repealed. While they are about it, legislators might also consider lifting the restrictions on foreign investment in some industries – in particular mining.

Ideally, any constitutional revision would go much further. The system inherited from the military which grants disproportionate say in Congress to the small north-eastern states should be revised. Powers to tax and spend should be devolved to the states, after which the poorest states should be helped by transparent and explicit transfers from Brasilia that depend more on genuine need than on influence-peddling. A far-sighted assembly would also take steps to consolidate the country's fragmented political system. There are 18 political parties in Congress and the votes of all the deputies from the four largest are required to obtain a simple majority in the lower house.

Unfortunately, it may be too much to hope that a radically simplified and rational constitution will emerge at the end of this process. But if Brasilia's notorious political rivalries kill off even those modest proposals that would help get a grip on inflation, those responsible could well rue the day.

Fiat's chairman Gianni Agnelli, faced with criticism of his refinancing plans, talks to **Peter Martin** and **Haig Simonian**

A patriarch constrained


Jacques Debaghian
Unruffled: Gianni Agnelli

Gianni Agnelli, *l'avvocato*, sometimes called the uncrowned king of Italy, hunches forward on the pink sofa in a smart Paris hotel and ponders the question: is he worried?

Most people would say he has a lot to be worried about. Fiat, the car company his grandfather founded, is on course to make a pretax loss he puts at "around L2,000bn" ($1.25bn) in the current year; he has just had to prop up its finances with Italy's biggest rights issue; like other large groups, it has been implicated in Italy's bribery scandals; its share of a shrinking Italian car market has dropped from 60 per cent a few years ago to around 45 per cent; and he himself, at the age of 72, has had to postpone his retirement from the chair to see the company through its difficulties.

Still, there is no real pause before he answers: "I'm worried about being in the motor car business. I'm not worried about being in Italy, though it's problematic. But I do think that we've done everything necessary to try."

Certainly, he does not seem oppressed by the problems that surround him. His features, once famously handsome, are now broader, more grizzled, the face of a patriarch rather than a playboy. The idiosyncratic Agnelli style of dress, once aped across the continent, has taken on grandfatherly overtones: his wristwatch, still worn over the shirt-cuff, now has larger, easier-to-read numbers. But his conversation is relaxed, his manner unthreatened, his smile as dangerously charming as ever.

It comes into play right at the outset, as he starts the interview by attacking his critics. Some stockbrokers' analysts, quoted in the FT and elsewhere, disliked one aspect of last week's capital raising exercise: a deal to sell Fiat's controlling stake in the profitable Rinascente department store chain. Because the sale is not to a third party, but to Ifil, another quoted company in the Agnelli empire and itself a major Fiat shareholder, it seemed an artificial contrivance, and one that threatened to treat at least some of the outside shareholders unfairly.

Nonsense, said Mr Agnelli: he was walking a tightrope in trying to deal fairly with all the various interests: Rinascente shareholders, Fiat shareholders, Ifil shareholders. "I must navigate between Scylla and Charybdis". In any case, who was to say that the deal would go through? Perhaps another bidder would emerge: "Once the ball is in the field to play, anybody can play it. If somebody makes a higher price, we're very happy for them to have it."

It is, to be sure, a bad time to be making disposals, but Fiat's financial needs are pressing. The company's problems stem in part from the continental recession, in part from the fiercely competitive nature of the European car market. Six big rivals, all with roughly the same market share, fight one another for sales that are threatened by the surge of Japanese production in Britain. Though the Japanese threat is new, the competition is not.

"Our philosophy, what I've tried to do, is to make Fiat as big as possible." That accounts, in part, for Fiat's huge market share at home. Surely that is now doomed, thanks to the single market and the changes in restrictions on Japanese imports? Mr Agnelli disagrees politely: "Of that I'm not so sure. We went down below 45 per cent, now we're back to that and we're not declining. We should be able to hang on to that." After all, he says, in France the domestic producers, Renault and Peugeot-Citroen, have roughly that figure between them.

But Fiat's European market share, like that of most of its competitors, is 12 per cent, "and that's very little". So 12 per cent is not a sustainable long term market share? "That's my impression. I don't think it's the right balance."

As a result, he foresees further sweeping changes in the structure of the European industry, which has already seen the gobbling up of all the second-tier manufacturers and, just this year, the announcement of a full-scale merger between Volvo and Renault.

The companies are constantly talking to each other about alliances, says Mr Agnelli. "First of all when you talk, you discuss is it technically possible, who is it technically feasible with – an American company, a private French company, a state-owned company – what sort of combination are they going to work out? And then you've got to see the industrial logic. So one is always playing with the idea of all these deals. I won't say any further than that."

'I have partners coming in and they say, for God's sake, you aren't going to do all this and then leave'

Surely the mergers up till now have been mainly the strong taking over the weak? Is it feasible to expect mergers between strong companies, especially given the cultural barriers? Yes, says Mr Agnelli, it is – and the cultural barriers to cross-border mergers, for example, have largely disappeared as Europe's younger generation, at least on the continent, becomes used to working with people of other nationalities.

What would bring about such a merger? "Well, I personally think that if something happens, and one producer rises to 24 per cent of the European market, then the whole thing starts moving."

Will he be the one to start that process? "I don't know when, who, how," he says. But remember that Volkswagen is already up to 17 per cent market share, and "before these recent troubles, Volkswagen was pretty imperialistic."

VW's current problems stem in part from overmanning and high costs, which it is now trying to tackle, most spectacularly by importing Mr *José Ignacio López de* Arriortúa from General Motors in Detroit. Some analysts say that Fiat has to take similar steps, though on a less drastic scale.

What does Mr Agnelli say to that? "It can be done. Cost cutting means personnel reduction. We live in a country, Italy, whose philosophy is Catholic, solidaristic, Marxist," and that imposes limits on any cuts. Still, "some has been done, and we have to go on. But I surely would never dare say like they did in Daimler-Benz that they have to get rid of 45,000 people." Would he like to have an equivalent of VW's Mr Lopez? There are lots of efficient cost-cutters at Fiat, he says, "just not so glamorous."

One question much discussed in Italy is the future of the old Alfa-Romeo plant at Arese, near Milan. Will it be closed? "Let's just say it doesn't have a growing future."

Not even the Agnelli family is immune from personnel pressures these day. Mr Agnelli's brother, Umberto, is the most recent casualty of blighted expectations, deprived of his planned succession to the chairmanship next summer. Gianni Agnelli will retain the chairmanship; Mr Cesare Romiti, managing director, will also stay on.

Was the decision to stay as chairman forced on him? And is this the first sign that his freedom of action will increasingly be constrained? Mr Agnelli does not answer the question directly. "I am going to the market for a huge amount of money, I have partners coming in and they say 'For God's sake, you aren't going to do all this and then leave'."

'I've seen such ups and downs, at Fiat and in my life, that I just take that as part of life, part of industrial history'

The partners are Germany's Deutsche Bank, the Italian merchant bank Mediobanca, Italy's largest insurer Generali, and Alcatel Alsthom, the French industrial group. Between them they will own 10 per cent of Fiat's voting shares, held as part of a "hard core" of shareholders, including two Agnelli companies, that altogether controls 30 per cent of Fiat votes. Another 10 per cent of Agnelli family interests remain outside the hard core – so as to avoid swamping the minority partners, says Mr Agnelli.

How long will he now stay on as chairman? "I said three years but what I really mean is that I would like to see it through this difficult moment," he says.

Where does that leave Umberto? "I am convinced," says Gianni Agnelli, "that my brother is the best person to be chairman of Fiat. Everything he does, he's always done much better than me. He's much more serious than me, he's worked much harder than I have, he's 15 years younger – I'm an old man."

But in endorsing Umberto, he said, he was expressing a personal opinion and could not speak for others. "With the hard core, the chairman will not be elected alone by the family, there will be a consensus of others. I can't see why they would not give their consent, but I can't speak for them."

So how much will the arrangement with the new partners tie his hands? "We have just started to work together. I am curious to see how much interest they will take." Won't their presence on a new, slimmed-down, more hands-on board limit his freedom of manoeuvre? "We will see, working together. I hope that they will give good advice. I don't know how much time they will want to dedicate, how much attention – I hope it will be a lot." Dr Ulrich Weiss, the Deutsche Bank representative on the board, has been a member for some years. Will his role change? Mr Agnelli says: "He said to me 'now in these circumstances we're going to ask more questions'."

One subject any board member will find it hard to avoid is Fiat's role in Italy's pervasive political corruption. The company seems to have made some sort of peace with the prosecutors, but senior executives are still under investigation. How does Mr Agnelli feel about his company's involvement?

"I was very ashamed," he says bluntly. But his shame clearly has limits: "Ninety per cent of the Fiat trouble came from one company, the construction company Cogefar. If we hadn't taken over that company, [Fiat's involvement] would have been 10 per cent of what it is." When Fiat took over Cogefar, "I was very afraid" of the construction industry's notorious reputation for corruption. "And then it appeared to be exactly what I feared." Fiat has imposed strict new anti-bribery rules, he says.

The corruption scandal has had one beneficial side-effect: the government led by Carlo Azeglio Ciampi, former governor of the central bank, which is starting to tackle some of the country's neglected economic problems. Mr Ciampi is a technocrat, not a politician. *"C'est un commissaire de gestion,"* says Mr Agnelli, slipping into French.

"Personally I think that if one could run a country forever like that it would be ideal." Obviously that isn't possible, he says wistfully. Still, the recent, quite new, budgetary discipline "shows that this *country has got elasticity* and capacity of recovery."

There has been one other helpful Italian development: last year's devaluation. Without it, Fiat's losses would have been still more disastrous. "I was absolutely convinced that we should devalue," says Mr Agnelli. "One should aim at a common currency, one should aim at a common central bank," but this is only feasible at the moment for Germany, France and Benelux, plus Austria and Switzerland. They could form a hard core, he says, which Italy, the UK and Spain could converge towards. So he doesn't have any problems with a two-speed Europe? "Well, I mean, it is two speeds – what can you do about it?"

Does he feel sad that at the end of his career, he is presiding over a company in difficulties? "No, absolutely not. I've seen such ups and downs, at Fiat and in my life, that I just take that as part of life, part of industrial history. You have very little scope for determining things by yourself."

Does he expect Agnelli family control to survive into the next generation? "I hope so. Everything finishes in time – but I don't think I will see it finish."

OBSERVER

Chasing a larger union?

It was never going to be easy for IG Metall, Germany's mighty engineering workers' union, to find a replacement for Franz Steinkühler, its charismatic former boss who resigned after allegations of insider dealing back in May.

At an extraordinary congress in Mainz on Saturday, the carefully orchestrated process of passing the baton to Steinkühler's former deputy, Klaus Zwickel, almost came unstuck when a member from Wuppertal stormed onto the platform, denounced the leadership, and suggested the previous chief should return.

For a couple of minutes, the hall was in uproar, until Steinkühler himself strode to the rostrum.

"You cannot turn back the pages of history," he said, declining the nomination. "We need to make a new start."

Steinkühler himself has not been letting the grass grow under his feet, it would seem. Indeed, Observer can reveal that he is using part of his enforced leisure time to learn English, an intensive four hours every morning.

Which lends a little extra credence to rumours that the ex-union leader might just be lining himself up as one of the German candidates for the new European Commission next year.

Such a move would certainly be welcome in Brussels, where a strong and articulate German commissioner would represent something of a turn-up for the books.

Steinkühler has certainly always enjoyed surprisingly good relations with one rather crucial ally in the nomination process, namely Chancellor Helmut Kohl himself.

Corker

■ Whilst lunching alone at a restaurant near the House of Commons, shadow industry spokesman Robin Cook was interrupted in his musings by the arrival of a bottle of fine wine at his table. Its provenance?

A man sitting nearby promptly introduced himself as a director of a company recently acquired by Anglo-American conglomerate Hanson.

Infuriated by what he saw as the new owner's policy of cutting investment, he had naturally relished the opportunity to wine, if not dine, the senior Labour figure – at the expense of one of the Tory party's more generous donors.

Then only six

■ It was only going to be a matter of time before one or other of the UK Treasury's panel of "seven wise men" was called away to impart his wisdom in another corner of the globe.

'I keep nodding off in front of interactive TV'

Retired Cambridge professor Wynne Godley will be ensconced for at least the next year at the Jerome Levy Economics Institute in New York state, and has advised the Treasury that he cannot afford the air fare to the London meetings, tomorrow and next week, of the panel of outside economists.

But the engaging Godley, who has foretold the UK's economic travails better than most, has no intention of stepping down voluntarily.

He intends to communicate by fax, a decision which may not go amiss with Treasury chief economic adviser Alan Budd, who chairs the discussions and has on occasion had to use all his charm to put a lid on the simmering feud between Godley and fellow wise man Tim Congdon.

Chancellor Kenneth Clarke may, however, seek more commitment from the panel he is to meet for the first time tomorrow week. So, should he want to boot out the Cambridge gloomster, where should he turn?

Flicking through the diary to October 14, Clarke will see he is meeting Andrew Dilnot, bright young director of the Institute for Fiscal Studies, who will be arguing the case for increased taxes in next month's Budget.

What better opportunity to impress the cabinet minister on a subject supposedly dear to his heart?

Molto diminuendo

■ After attending a company-sponsored concert which included Schubert's Unfinished Symphony, a management consultant writes to the chairman of a European car manufacturer as follows:

The four oboists, who were idle for lengthy periods, should be disposed of and their work spread over the rest of the orchestra.

In each of the heavily staffed string sections, the players were all playing identical notes. Headcounts should be cut across the board, peak demands for volume being met by amplifiers.

Much skill and energy were expended on playing demi-semiquavers. This excessive refinement should be dropped and notes rounded up to the nearest quaver, allowing use of lower-grade operatives and making an interval unnecessary.

Passages played by one section, such as the strings, were frequently repeated by another. If such wasteful repetitions were also eliminated, the concert-time would fall from two hours to, at most 40 minutes, even if the symphony were played to a conclusion.

Gay abandon

■ The Yorkshire Bank has stumbled on a novel way to gauge staff satisfaction.

"Straight, friendly bank seeks like-minded customers for long-standing relationship" goes the advertisement that has been running for a while in areas where the northern bank has been opening new branches.

But the slogan has suddenly started to elicit the wrong sort of attention. Complaints have reached the bank, as well as the letters column of the advertising industry journal Campaign, that this supposedly demonstrates anti-gay prejudice.

"We're quite surprised," says a spokeswoman. "Frankly, we are all gay here, meaning we are very happy at our work".

FINANCIAL TIMES
Monday October 4 1993

Patten set for critical ministerial meeting

UK may 'go it alone' on HK democracy plan

By Simon Holberton in Hong Kong

MR CHRIS PATTEN, Hong Kong's governor, will fly to London early next month for a ministerial meeting which is expected to decide whether Britain will "go it alone" on the introduction of limited democracy in the colony.

Mr Patten will be in London between November 8 and 11 and ministers have pencilled in November 11 – when the full Cabinet meets – for the meeting.

Since late April Britain and China have conducted 12 rounds of negotiations to try to reach agreement on how to conduct elections in 1995 for the colony's Legislative Council (LegCo), its lawmaking body. But the two sides remain divided, with Britain arguing for a broad franchise and China for a limited one.

British officials said that if by the November meeting there were no prospects of agreement Mr Patten would recommend to ministers that he push ahead with plans for limited democracy. It has not been decided if Mr Patten would re-submit his original plans to LegCo, or the compromise plan the UK has already put to China.

Between now and November there should be three more rounds of Anglo-Chinese talks, raising the possibility that China might offer a compromise. But according to one British official: "The only way to get agreement is to do as China wants. They want a rigged election and we cannot agree to it. We couldn't defend it in London and we couldn't defend it in Hong Kong."

Officials said a meeting in New York last Friday between Mr Douglas Hurd, UK foreign secretary, and Mr Qian Qichen, his Chinese counterpart, produced little sign that Beijing would respond to the UK's compromise. In TV interviews Mr Qian restated China's intention to recover Hong Kong before 1997 if there were "disturbances" in the colony.

On Wednesday Mr Patten will open the new session of LegCo. The governor is expected to give councillors a briefing on the state of Anglo-Chinese talks.

Sweeping changes likely for Lonrho board

By Roland Rudd and Robert Peston

LONRHO, the international trading conglomerate, will take a big step towards becoming a more conventional public company this week by appointing its first non-executive directors for two decades.

The company's directors received a proposal at the weekend for the appointment as non-executives of Mr Peter Harper, a director of Hanson, the Anglo-American conglomerate, and Mr Steven Walls, the chairman of Albert Fisher, the food processing and distribution group.

They have been recruited by Mr Dieter Bock, who at the beginning of the year acquired an 18.8 per cent stake in Lonrho and was then appointed joint chief executive with Mr Tiny Rowland, Lonrho's guiding force for 30 years.

Mr Walls and Mr Harper – whose remuneration will be £30,000 a year – are expected to set up Lonrho's first ever audit committee, to review its financial performance.

Mr Rowland, who has been opposed to non-executives since 1973 when the so-called "straight eight" directors, led by Sir Basil Smallpeice, then deputy chairman, tried unsuccessfully to remove him as chief executive. Mr Rowland is not expected to try and block this week's appointments because Mr Bock made it a condition of his investment in Lonrho that non-executives should be appointed.

In the coming months, Mr Bock is expected to recruit one or two further non-executives. In the longer term, he is also likely to seek to reduce significantly the number of full-time executives on the board from the present 12.

Reductions in the number of executives will also help him cut the costs of running the company's headquarters in the City of London's Cheapside, which are more than £20m a year.

Mr Bock sees the appointments as the first step in his plan to make the company more transparent to outside investors and persuade investment institutions to acquire shares in it.

One of Lonrho's biggest shareholders, the Genting Group of Malaysia, the plantations, gaming and rubber group, has recently approached Lonrho shareholders trying to sell its 3.9 per cent stake.

Mr Harper has been responsible for Hanson's relations with institutional investors, some of whom have however complained that they have not been kept sufficiently informed of corporate developments at Hanson.

Last year Mr Walls was forced out as chief executive of Arjo Wiggins Appleton, the Franco-British paper company, after losing a boardroom battle over strategy.

Cheering supporters rescue Rutskoi

Continued from Page 1

shot dead and another injured.

Again the troops fell back, disappearing down side streets, others running inside the mayor's offices. The crowd were through, and charging up the ramp and round to the back of the White House, where they were embraced by the building's long-term defenders, who seized it on September 21 when President Boris Yeltsin announced the disbandment of parliament. On the balcony, a cheering crowd of deputies and staff: the two sides shouted "hurrah" until they were hoarse.

Then, to a huge cheer, out came General Alexander Rutskoi, appointed by the hardliners as a rival president, his bodyguards holding a flak jacket before him as he gripped the microphone.

"All able-bodied men who wish to join us form yourselves into detachments before the White House. You will be given arms: and will take the mayor's office and the Ostankino [the television centre, some four to five kilometres away]."

The White House was still, then, surrounded by riot troops and police. Yet out came Gen Rutskoi, smartly dressed in a freshly pressed suit, accompanied by Mr Victor Barannikov, the man he had named as defence minister, to supervise the creation of the detachments.

Perhaps 30 to 40 armed men then attacked the mayor's office. There was a fusillade around its entrance. A captured truck was brought up and reversed hard against the barred glass door, smashing it back into the foyer. The firing stopped. After a few minutes some 200 troops who had sought shelter in the building smashed through a window to one side and ran away across the street as White House defenders contemptuously fired in the air above them.

The crowd invaded the mayor's building, surging up into the first floors. They took hostages almost at once, forcing them to the run the gauntlet, spitting on them and beating them.

Many of the White House defenders wore flashes with "Russian National Unity" on them; others wore a swastika-like device. Mr Ilya Konstantinov, one of the hardest-line deputies and a leader of the Russian Unity political bloc, appeared in command of the operation: he shouted: "Now - forward to Ostankino!"

The crowd, partly in captured buses and trucks, partly on foot, many waving submachineguns, baying with victory, swept back up the New Arbat – to meet another crowd of several thousand coming down the inner ring from the direction of the Foreign Ministry – a second demonstration. The crowd, which had begun the day at between 5,000 and 10,000 strong, had now grown to 30,000 to 40,000. All were intent on going to Ostankino, hated for its unequivocal support over the past two weeks for Mr Yeltsin.

Round the ring road they went, the banners out now – mostly the Soviet red flag: a few portraits of Stalin. As they passed the newly refurbished US Embassy, they chanted, in Russian and English – "Yankee Go Home" or "Sovyetsky Soyuz" (Soviet Union) – but did not attempt to attack.

Uprising

Continued from Page 1

confirmed last night that armed troops and tanks were moving into the city.

Radio Russia said Mr Yeltsin was bringing crack paratroopers to the capital. The defence ministry said elite forces would be used to storm the White House. The radio said a paratroop unit from the city of Tula, south of Moscow, had been summoned after a unit of Interior Ministry troops based outside Moscow had gone over to the rebels.

Reuters Television filmed armoured personnel carriers and trucks of soldiers on Moscow's southeast ring road on Sunday evening.

VW to sell housing stock

Continued from Page 1

search for savings. Its housing subsidiary has 12,700 homes on its books – worth an estimated DM2.5bn – and says the sell-off is well on the way to success.

According to German media reports, the monthly cost of a mortgage on a typical, modest 70 sq m flat is about DM1,700 – double the present rent for such an apartment.

Wolfsburg is a company town in the old style, with many of its cultural and social facilities provided by VW. Company flats are in orderly, compact blocks. Most were built in the post-second world war boom, when German workers aspired not only to a VW Beetle and foreign holidays but to a decent home as well. Those on sale at present, for example, are about 30 years old.

The VW move is one of hundreds of savings and cost-cutting moves being applied throughout German industry's generous network of social benefits.

Robert Bosch, a leading component supplier, has after eight months of talks negotiated a package cutting DM180m off its cost base. The measures include cancellation of company-paid cures in German spa towns and lower canteen subsidies.

Daimler-Benz has told some of its workers it is no longer prepared to pay for their children's first-communion dresses.

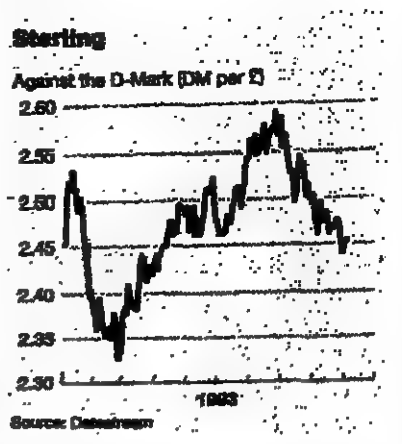
THE LEX COLUMN

Sterling's silver lining

The party conference season is often an anxious time for sterling. Last week saw a wobble on worries that the prime minister's authority would take another knock at Blackpool and that interest rates would be cut to regain some political bounce. This week will show if such fears are justified. On the surface, though, they look distinctly overdone. A rate cut at conference time was a favourite trick of Lady Thatcher's. Politically inspired cuts have become controversial since the pointedly disparaging remarks in Norman Lamont's resignation speech. While Mr Major may be in for a rough ride, it is hard to discern a shock with palpable economic consequences.

One risk is that a bitter row over VAT on fuel may convince the markets that the government is unable to confront its deficit problem. But the City has been shading down its estimates of the PSBR and has given up expecting much by way of tax increases in November. The extension of VAT to items other than fuel – newspapers look a particularly obvious candidate after recent price-cutting – offers some compromise between those Conservative who want to maintain services and those who dislike direct tax increases. It might just suffice.

Raising revenue through VAT will increase the headline inflation rate, however. That may be a further reason for caution on interest rate cuts. The money markets are discounting a mere half point fall by the end of the year. Sterling would be well underpinned for the next few months if that is all that happens while continental countries cut much more.



Greycoat

The rescue package for Greycoat may not be voted through this week if the entrenched growls coming from both Postel and the company's preference shareholders are any guide. A complex balance between different groups of creditors will make adjustments to the basic deal difficult unless Postel is prepared to sweeten the deal for preference shareholders itself. Yet that would leave it open to further pressure from other groups.

Since the alternative to accepting Postel's offer is probably putting Greycoat into administration, the company's management is naturally enthusiastic. Preference shareholders may only be bluffing in their resistance to the Greycoat plan, but they have to balance a number of competing factors. While they would not have to cede any value to ordinary shareholders if the company were wound up, neither would they benefit from the interest concessions offered by the banks as part of the Postel scheme. Then there is the valuation of Greycoat's properties. The current renaissance in property is largely confined to assets with cast-iron cash flows. Most of Greycoat's portfolio arguably fits into that category, so that the preference holders might decide it was worth hanging on. Then again there is the danger that delay will impose its own cost. As Alistair Ross Goobey, Postel's chief executive, has committed himself to standing pat he may feel he cannot move now. The preference shareholders may crumble, but in such a game of bluff that will not be until the last. And the 75 per cent of acceptances needed hardly helps Postel's cause.

UK gilts

The Goode Committee's suggestion that the government should tailor gilts especially for pension funds prompts the question of what such instruments might look like. Since many pension fund liabilities are subject to limited price indexation – where pensions in payment are increased in line with the retail price index up to a maximum of 5 per cent – a bond offering a return on the same basis would provide a clear match. Rather than paying a cash yield, which pension funds then have to reinvest, index-linked bonds issued at a deep discount to face value would remove another element of risk.

Such gilts would please many in the pensions industry. If they offered index linking up to 5 per cent, they could be sold at an even deeper discount than a bond which fully compensates for inflation. That would help pension funds match their liabilities in a particularly productive way. The government's attitude would doubtless turn on cost. But if inflation protection was limited, its debt repayment burden would lessen if prices rose at more than 5 per cent. Gilts linked fully to the RPI provide the Treasury with a particularly harsh discipline.

Such innovation would have to be on a modest scale at first, but it could still be useful. Pension funds which are faced with winding up could buy such instruments instead of expensive deferred annuities from insurance companies. More important, the instrument would provide a clear benchmark against which the solvency of all pension funds could be measured.

Telephone banking

It is easy to gain the impression from reading the advertisements that telephone delivery of financial services is the coming thing. Yet uncertainties remain where banking is concerned. While Midland Bank's Firstdirect is proud to point to the number of bills it pays, it remains remarkably coy about customer balances in its accounts. The suspicion is that while it offers a convenient and cheap transaction service, it finds it harder to attract retail deposits. That would be natural for two reasons. People tend instinctively to prefer placing their savings in an actual branch rather than dispose of them remotely down the phone; users of telephone banking tend to be professional people who are unlikely to leave money lying idle in current accounts.

That raises the question of whether the efficiency advantage of a low-cost transaction service outweighs the cost of forgoing some of the profits from cheap retail deposits that flow readily into a branch network. If it does not, Firstdirect may not become a real money spinner, while Barclays and National Westminster would be right to talk more of bolt-on services.

Yet the conclusion changes again when one considers the industry trend away from using cheap deposits to subsidise current account transaction services. Most expect this will eventually lead to charges on current accounts. When that happens, organisations like Firstdirect, which are already set up to provide a value-for-money transaction service, will have a distinct edge.

FT WORLD WEATHER

Europe today

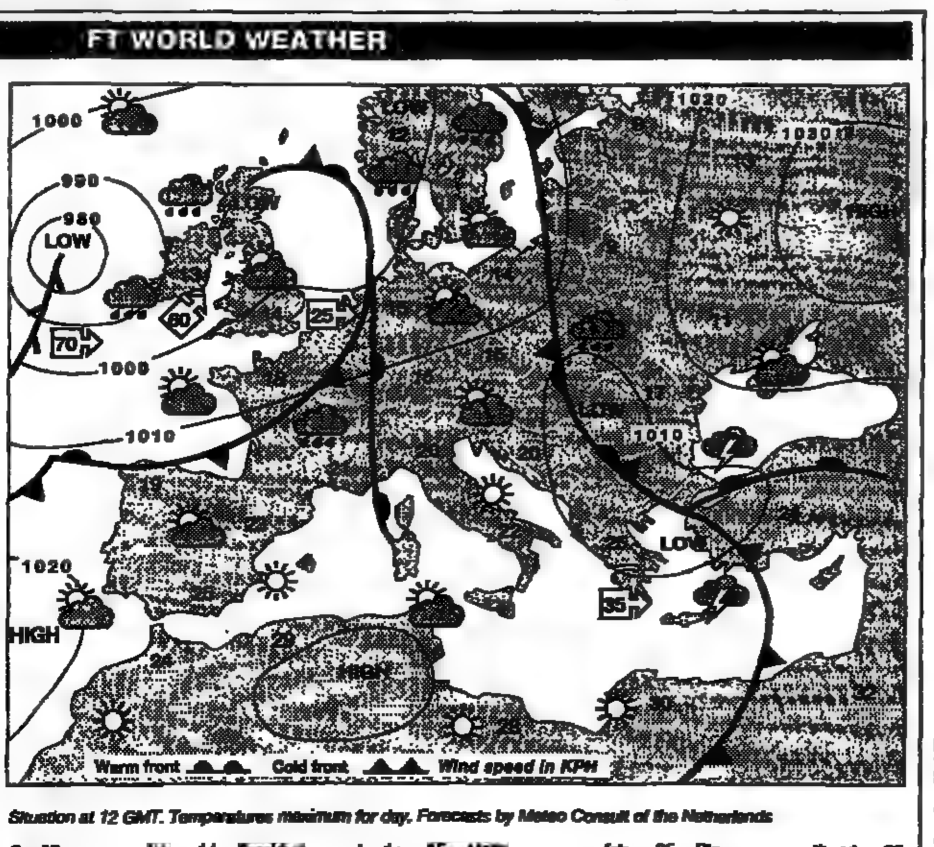
The northern British Isles will stay cloudy and rainy. Elsewhere in the region, sunny periods will prevail with a few local showers in northern England. An area of rain and strong winds will approach Ireland from the west as a t low pressure area arrives from the Atlantic. Damp conditions will also occur in the Benelux, France and northern Spain. There will be thunder in northern Spain. It will be mainly dry with sunny spells in Germany and the Alpine countries, however, rain will spread toward Switzerland from the west.

A vigorous cold front will cause heavy rainfall and thunder storms in the southern Balkan States, northern Greece and western Turkey. Elsewhere in southern Europe, sunshine will prevail.

Five-day forecast

Little change in the weather over Europe is expected during the next week. Low pressure areas will persist near the UK causing unsettled conditions in most of western Europe.

High pressure will intensify over eastern Europe. As a result, thunder storms in the south-east will gradually die out. Thunder showers with heavy downpours are expected in the south-western Alps on Tuesday and Wednesday.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

City	Weather	Maximum Celsius
Abu Dhabi	sun	35
Accra	fair	31
Algiers	sun	29
Amsterdam	rain	16
Athens	shower	25
B. Aires	fair	18
B.ham	shower	14
Bangkok	thund	33
Barcelona	sun	23
Beijing	sun	22
Belfast	drzzl	12
Belgrade	rain	12
Berlin	fair	17
Bermuda	cloudy	30
Bogota	drzzl	20
Bombay	thund	31
Brussels	shower	16
Budapest	rain	13
C.hagen	cloudy	14
Cairo	sun	32
Cape Town	windy	22
Caracas	cloudy	31
Cardiff	fair	14
Chicago	fair	20
Cologne	rain	15
D' Salaam	fair	31
Dakar	sun	31
Dallas	sun	29
Delhi	sun	35
Dubai	sun	37
Dublin	fair	13
Dubrovnik	thund	18
Edinburgh	drzzl	13
Faro	fair	23
Frankfurt	cloudy	15
Geneva	drzzl	15
Gibraltar	sun	24
Glasgow	rain	13
Hamburg	cloudy	15
Helsinki	shower	10
Hong Kong	cloudy	28
Honolulu	cloudy	30
Istanbul	thund	24
Jersey	cloudy	13
Karachi	cloudy	32
Kuwait	sun	39
L. Angeles	cloudy	24
Las Palmas	fair	28
Lima	cloudy	19
Lisbon	cloudy	21
London	fair	16
Lux.bourg	rain	12
Lyon	shower	20
Madeira	cloudy	24
Madrid	fair	22
Majorca	fair	25
Malta	fair	25
Manchester	shower	14
Manila	thund	31
Melbourne	shower	15
Mexico City	drzzl	18
Miami	thund	31
Milan	sun	20
Montreal	rain	11
Moscow	fair	12
Munich	fair	16
Nairobi	cloudy	23
Naples	thund	21
Nassau	thund	31
New York	fair	21
Nice	sun	20
Nicosia	fair	31
Oslo	rain	12
Paris	rain	19
Perth	fair	22
Prague	fair	15
Rangoon	cloudy	33
Reykjavik	cloudy	8
Rio	thund	28
Riyadh	sun	37
Rome	sun	22
S. Frsco	shower	22
Seoul	cloudy	21
Singapore	thund	30
Stockholm	rain	12
Strasbourg	shower	18
Sydney	rain	19
Tangier	fair	24
Tel Aviv	sun	30
Tokyo	drzzl	22
Toronto	shower	14
Tunis	fair	28
Vancouver	fair	18
Venice	sun	20
Vienna	cloudy	14
Warsaw	rain	13
Washington	fair	24
Wellington	fair	14
Winnipeg	fair	10
Zurich	shower	18

مكتبة مصدر الأصل

FINANCIAL TIMES
COMPANIES & MARKETS
Monday October 4 1993

INSIDE

French set to reveal BNP pricing

The French government is today expected to announce the price of shares to be sold in Banque Nationale de Paris, first on its privatisation list. The consensus among analysts is that the BNP shares will be priced at FFr250-FFr275, valuing the group at FFr45bn-FFr49.5bn. Page 15

Swiss Re plans rights

Swiss Reinsurance, the world's second largest reinsurer, hopes to raise SFr575m with the help of a rights issue. It increased net earnings by nearly 6 per cent to SFr261m in 1992. Page 15

Malaysian record

Bank Bumiputra, the Malaysian bank which has been dogged by bad debts, is leading the arrangement of what has been described as the largest debt financing package ever arranged for a Malaysian borrower – M$2.66bn ($1bn) for the construction company YTL. Page 15

Ladbroke acts on rumours

Ladbroke, the UK leisure group, has written to some Sunday newspapers informing them of an injunction against publishing allegations which the company says are untrue and highly damaging. The letter refers to "certain scurrilous rumours ... regarding both Ladbroke's relationship with its bankers and the circumstances of its chairman's decision to retire." Page 14

Babcock's new duo

John Parker and Nick Salmon start work today as chief executive and managing director respectively of Babcock International, the engineering contractor which, less than a month ago, shocked the City by revealing it would report an interim loss and pass its dividend. Page 14

US bonds gyrate

Conflicting signals on the US economy has given the bond market the jitters. The market is looking for evidence that will either propel yields on long-dated stock decisively below 6 per cent, or end the rally. Page 18

Support for UK gilts

A belief that inflationary pressures are unlikely to resurface in the UK for some time encouraged investors to buy gilts at the first sign of any fall in prices. This kept support fairly strong in spite of last Wednesday's £3.25bn auction. Page 18

Market Statistics

Base lending rates	25	Managed fund service	23-25
FT-A World Indices	25	Money markets	25
FT/ISMA int bond svc	18	New int bond issues	18
Foreign exchanges	25	World stock mkt indices	20
London share service	25-27		

Companies in this issue

BNP	15	Ladbroke	14
Babcock Intl	14	Lyonnaise des Eaux	13
Bank Bumiputra	15	North West Water	13
Biotrace Intl	14	Publicis	15
Boots	14	Severn Trent,	13
Columbia Healthcare	13	Smith (WH)	14
Embassy Property	14	Suez	15
Fenchurch	14	Swiss Reinsurance	15
Générale des Eaux	13	UAP	15
Groupe Bull	13	Victoire	15
HCA	13	YTL (Malaysia)	15

Alan Cane and John Ridding report on the plight of the french computer maker

Bull pleads for FFr9.2bn aid

GROUPE Bull, the troubled computer manufacturer, is asking the French government for FFr9.2bn ($1.6bn) to fund a package of measures designed to restore the state-owned company to profitability. The company has lost FFr15bn in the past three years.

The package includes a fundamental transformation of the way the state-owned company carries out its business. There may be further factory closures. Politically sensitive steps, such as phasing out personal computer production at Villeneuve D'Ascq, near Lille, and St Joseph, near Chicago, are not ruled out.

The managing directors of Bull subsidiaries outside France are likely to find their autonomy drastically curtailed. They will be obliged to follow business strategies laid down in Paris.

The essential details of the plan have been agreed since the end of June, it is understood. Over the past three months Mr Bernard Pache, Bull's chairman, has been negotiating with the government over the size of the investment it is prepared to make. An announcement is expected soon.

Mr Pache, formerly head of the French coal board, was appointed last year with instructions to cut costs and return the company to profitability.

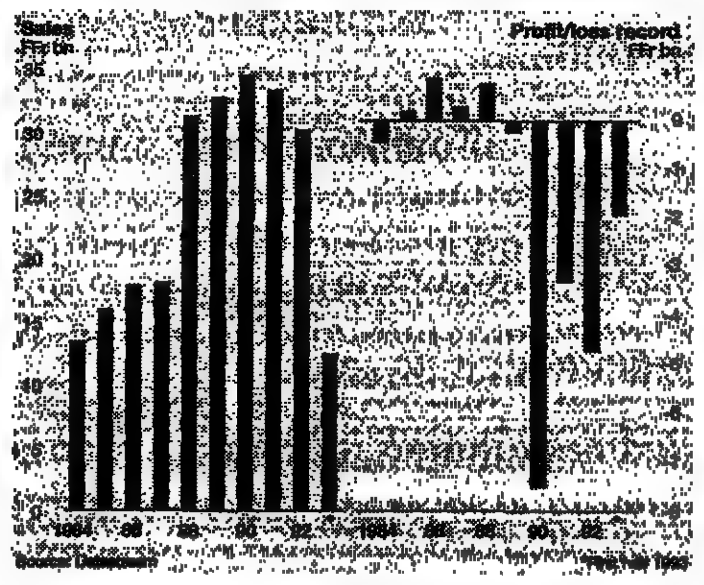
The government has put Bull on its list of 21 privatisation candidates, but the computer manufacturer's parlous state makes this a remote prospect. Observers believe it has little option, therefore, than to make a significant capital injection.

But this is likely to bring the French government into conflict with the competition authorities in Brussels, which are already questioning whether the French are ploughing anti-competitive subsidies into their computer champion. An investigation into FF2.5bn given in February by the former government is expected to be announced this week.

Bull, Europe's second largest indigenously owned computer company after Olivetti of Italy, has been hurt by fundamental changes in the computer industry. These have forced down prices and profit margins and lessened the importance of mainframes, traditionally the largest contributor to Bull's revenues.

The company was slow to exploit personal computers. The purchase of Zenith Data Systems, of the US, to retrieve the situation has proved a disaster.

Pache: asking for FFr9.2bn



Longuet: considering request

National champion on the ropes

Of all the files on the desk of Mr Gérard Longuet, the French minister for industry, the most problematic is that of Groupe Bull, the loss-making state-controlled computer manufacturer.

Since taking his post with the new centre-right government in March, Mr Longuet has repeatedly demanded that the computer group draw up a restructuring plan aimed at stemming losses which threaten its survival. "Bull must be taken in hand," the industry minister said bluntly in July.

Now, after numerous rounds of negotiations between Mr Bernard Pache, Bull's chairman, and the government, a recovery plan is nearing completion. Government officials say it is a matter of days, or weeks at the most.

Bull and the government are tight-lipped about the plan. It is understood, however, that at its heart is a request for a capital injection of FFr9.2bn ($1.6bn) to fund radical restructuring over the next two years. This is in addition to a contribution of FFr2.5bn approved in February by the previous government.

Sources close to Bull insist that a capital injection of this magnitude is necessary if the group is to survive. It is needed to:

- restore the balance sheet to a healthy state;
- pay for restructuring measures, including factory closures and the loss of thousands of jobs;
- fund a substantial programme of retraining to transform Bull from a predominantly hardware manufacturer to a global supplier of software and services, with hardware playing a less important role.

But whether the cash injection can bail out the company will depend on the plan's acceptance by the European Commission.

The first hurdle for Bull lies in Brussels. Mr Karel Van Miert, the EC competition commissioner is expected this week to announce an inquiry into French state capital injections into the computer group. If all, or even part, of the FF9.2bn requested under the new plan were to be endorsed by the French government, this would be added to the scope of the EC inquiry.

Even if the computer group receives approval for a fresh capital contribution, however, its business strategy and prospects remain highly uncertain. Losses in the first half of the year mounted to FFr1.98bn from FFr1.69bn.

Under the management of Mr Pache, chairman since June last year, Bull has already taken several big steps towards restructuring. In July this year, the company announced plans to cut its workforce by 6,500 by the end of 1994. This reduction, from a total of 35,175 at the end of last year, is just the latest step in staff reductions. In 1989, Bull had 47,000 employees.

The new plan, however, is thought to prescribe a structural and managerial reorganisation more radical than any Bull has yet undergone. It will mean a profound change in the culture of the company. At present, Bull is organised by geographic region; under the terms of the new plan it is expected to be organised by product or service category, a concept sometimes called "line of business". Individual countries will be responsible for implementing, but not for determining, business strategy.

Radical changes are expected at Zenith Data Systems, a US personal computer maker which Bull bought in 1989 and which has since proved a heavy drain on the company's resources. It is thought that virtually all the company's operational losses of FFr642m in 1992 were attributable to ZDS.

Analysts attribute ZDS's weakness to poor management including the decision to continue manufacturing personal computers at Villeneuve d'Ascq in France and St Joseph, Michigan, where overheads are high.

ZDS today loses money on each pc it sells; sales volume has been improving over the past two years, magnifying the company's problems. It is thought the plan will recommend an end to pc manufacturing at Villeneuve and St Joseph. Instead it suggests further exploitation of the company's link with Packard Bell, a US pc maker which sources its hardware in the Far East and has expertise in low-cost marketing and distribution.

In June, Bull announced that it was taking a 19.9 per cent stake in Packard Bell. Under the terms of the agreement, ZDS and Packard Bell will jointly design and manufacture desktop pcs while ZDS will supply its American partner with notebook and sub-notebook computers. The deal will enable Bull to share production and development costs.

Analysts argue that even if Bull wins the investment requested, it will still need to build upon existing strategic alliances and to form new partnerships with other international computer groups.

Within the next two months, for example, the French company is expected to announce a co-operation agreement with NEC, the Japanese computer company, for the development of powerful mainframe computers. The agreement with NEC, which holds just under 5 per cent of Bull's shares, will be aimed at supplying the top end of the business market, where profit margins are relatively high.

NEC already provides Bull with its top-end mainframes and some observers believe it might be prepared to extend its stake in the company to safeguard its European distribution channel.

Further investment from International Business Machines, which hold a 5.7 per cent stake, is unlikely. Alliances with Europe's remaining hardware manufacturers, the troubled Olivetti of Italy and Siemens Nixdorf of Germany are equally unlikely.

Bull would welcome, however, an alliance with a large systems integrator or a telecommunications company.

Without further alliances and success in cutting costs, the outlook appears bleak. Continued support for Bull as an integrated computer manufacturer remains conditional on improved performance. The French budget deficit, budgeted at FFr317bn this year, and resistance from Brussels place a limit on assistance.

The new plan may, therefore, represent the last throw of the dice for the struggling computer group.

Hospital group to buy rival for $5.8bn

By Richard Waters in New York

COLUMBIA Healthcare, a fast-growing US hospital company, has agreed to buy HCA-Hospital Corporation of America in a $5.8bn all-share deal which creates the country's largest hospital group.

The merger, agreed by both boards on Saturday, is the most significant sign so far of consolidation in the US healthcare industry prompted by the Clinton reform plans and by market pressures for lower medical costs.

The new group, to be known as Columbia HCA Healthcare, will have 190 hospitals and 42,000 beds, mainly in the south and west of the US. It also has hospitals in London and Geneva.

The deal marks the latest step in the rapid rise of Columbia and its chairman and chief executive, Mr Richard Scott. Starting the year as a 26-hospital company, Columbia has already completed one merger – with the Galen hospital group – taking the total to 90 hospitals.

By merging their hospital operations, Columbia and HCA hope to be able to compete better for business from the regional "health alliances", through which most healthcare will be bought under the Clinton plan. The two predict that the merger will lead to cost savings of $75m next year and $130m in 1995.

Commenting on the quickening pace of mergers in the industry, Mr Scott said yesterday: "In the US there are 30 per cent too many hospital beds. Clearly people cannot afford to pay for it, so we will have to consolidate."

None of the 190 hospitals in the new group would be closed, he said, though he added that the company would attempt to buy rivals in areas where there were too many hospital beds and close them down. He singled out Chicago, Miami, Houston and Kansas City as cities in need of a reduction in capacity.

Columbia, whose shares closed at $30¼ on Friday, will exchange 1.05 shares for each of the 182m HCA shares outstanding – a significant premium over the HCA share price, which stood at $22⅞ on Friday.

Mr Scott said that based on market estimates for Columbia's earnings, the deal would not be dilutive, but would increase earnings per share by around 10 cents. He will be president and chief executive of the new group, with Mr Thomas Frist, chairman of HCA, as chairman.

Anatomy of a stalled reform programme

Economics Notebook

By Stephen Fidler

Was President Carlos Andrés Pérez of Venezuela hounded out of office because of the price of bus tickets in Caracas? Or because his government failed to tell people in advance that bus fares were to rise? Or because the increases were introduced at the end of month when most workers in Caracas had little left of their monthly pay packets?

The rises in transport prices in February 1991 – three weeks into Mr Perez's second term of office – triggered riots which engulfed the capital. The trauma that this set off coloured the rest of his presidency. The fate of Mr Pérez, suspended from office on May 21 this year on corruption charges, may thus not have been decided by the big decisions of his economic reform programme but by the apparently insignificant issues he ignored.

As the Russian president Boris Yeltsin is finding out, the path for those who promote economic reform is not easy. A book* by Moisés Naim, a former industry minister, casts new light on what he calls the "reverse Midas touch" of successive Venezuelan governments. It dissects the Perez reform programme, of which he was part, and zeroes in on its failures. It provides an object lesson for those with similar projects elsewhere in the world.

Although managing economies dominated by a single commodity is notoriously difficult – Venezuela earns four fifths of its foreign exchange from oil – the country was even two years ago regarded as one of the Latin American countries best placed for success. Now it is viewed as one of the region's less stable countries, a legacy of two 1992 military coup attempts and a political crisis as yet unresolved.

Mr Pérez took office facing a host of problems: foreign currency reserves were sorely depleted, the fiscal deficit exceeded 9 per cent of GDP, the current account deficit was at a record high and prices of most basic products were artificially and unsustainably repressed.

A system of price controls and regulation had grown up over decades. The government even controlled the price of a cup of coffee in a cafe – which was different depending on whether you drank it at the counter or sitting at a table.

The repression of prices became particularly intense in the last year or so of the government of President Jaime Lusinchi, Perez's predecessor.

It produced severe shortages of goods and, as in the Soviet Union, supermarket shelves emptied because of hoarding and capacity closures. On the streets, tensions rose since this followed years in which most people had become poorer and public services had deteriorated.

It was against this background that the Caracas bus fare rises took place. Nobody knew about them in advance: "In what later proved to be a systematic flaw of the Perez administration, the government failed to communicate its decision in a timely and effective manner," says Naim.

The timing of the increases was bad. Furthermore, the Caracas police force was in crisis and let rioting take hold. It was a day-and-a-half before Perez decided to bring in the army.

The government had decided on a shock approach to freeing prices, but it was not, Naim makes clear, driven by ideology, "more by the lack of administrative capacity to introduce reforms gradually". The price inspection administration simply was not functioning.

The aim of the government was to replace a system of generalised price controls and subsidies with programmes aimed directly at the poor. The government set up parallel organisations to sidestep the traditional bureaucracies, run for the benefit of political party loyalists and the trade unions.

During the 1980s, these corrupt bureaucracies were responsible for spending 10 to 14 per cent of GDP on social programmes. The government spent three times more per head on health than Chile, Jamaica or Panama, but had an infant mortality rate that was 200 per cent higher than Jamaica's, 80 per cent higher than Chile's and 30 per cent higher than Panama's. In education, the government spent more than four times as much per student as Chile, Jamaica and Argentina, yet suffered the worst illiteracy rates in the region.

The administration needed the support of the political parties in Congress, in particular his own *Acción Democrática*. Yet the AD hierarchy was adamantly opposed to reform having spent, as Naim says, "most of the 1980s profiting from the many opportunities to serve as a broker between society and the state". The parties had been captured by special interests and over time the state came to depend for its survival on the specific groups that benefited from its policies.

Yet the president and his advisers continued to use the political parties – and other exhausted organisations such as the trades union and employers' federations equally remote from the population – to explain policies. His fatal error may simply have been that he made no effort to reach out direct to society.

Pérez became the lightning rod for the genuine ills suffered by Venezuelans, who blamed the reform programme rather than the preceding decades of government incompetence for their troubles. Corruption – ironically probably lessened by the reform process – became the stick with which to beat him and eventually remove him from office. The army – the other element in his downfall – was another exhausted institution without clear organisational goals.

As the country heads towards presidential and congressional elections in December, it continues in a state of uncertainty. The element of hope is that a genuine democracy will be able to override the special interests that forced the Perez programme into the sand. Venezuela is in transition, but to what is unclear. Naim quotes the Italian political scientist, Antonio Gramsci: "The ancient is dying and the new has yet to be born. In this interlude, monsters are bred."

**Paper Tigers & Minotaurs by Moisés Naim. Published by the Carnegie Endowment; distributed by Brookings Institution, Dept 029, Washington DC 20042, USA.*

UK group wins water contract

By David Blackwell

NORTH West Water has won a £285m ($440m) ten-year contract to provide water services for more than 2m people in Mexico City.

The company said yesterday that this deal was the biggest of four announced over the weekend as part of a drive to save water. Mexico City, the world's most densely populated city, relies on an underground aquifer for its water supply. At current rates of extraction, the aquifer could be exhausted by the turn of the century.

North West will have 49 per cent of a joint venture company set up to administer the contract, which covers nearly a third of the city, including the most affluent western residential area. Its partner is Grupo Gutsa, one of the biggest construction groups in Mexico. Each will subscribe up to £2m equity.

Three further consortia have won similar contracts for other parts of the city. One is led by Severn Trent, another UK water company, while the two others are led by the French groups Lyonnaise des Eaux and Générale des Eaux.

Mr Bob Thian, North West's chief executive, described his company's project as "one of the most challenging" in the water industry. The company estimates that a further £100m of revenues could come later in the project, when infrastructure is refurbished.

Work will begin later this year, when the company will draw up a computerised map of the 264,000 water connections in its area. It is expected to take two years to instal meters to double the income of the city's water authorities.

Biotrace plans flotation via private placement

By Paul Taylor

BIOTRACE International, a small biotech company which has developed a simple and quick electronic test to check food industry hygiene using the substance in fireflies which enables them to glow, is planning a stock market flotation later this autumn.

The Bridgend-based company, which claims to be an industry leader in hygiene and microbial testing systems, plans to come to market through a private placement organised by Allied Provincial, the company's financial advisor and broker to the issue. In the year to July 31 Biotrace had sales of about £2m, roughly double the previous year, and is thought to have made its first small profit.

Biotrace systems use a natural phenomenon, luciferase, which emits light when it comes into contact with a substance called Adenosine Triphosphate (ATP) which is present in all living cells including bacteria. An electronic instrument called a luminometer is then used to measure the light.

Its rapid hygiene and microbial testing systems are mainly supplied to the international food and drinks industry. Its products are used by almost all the top 20 UK and European food and drink manufactures. About one-third of its systems are installed overseas.

Legislation covering food factory hygiene in Europe and the US is being tightened, resulting in a rapidly growing market for test systems.

The company was founded five years ago by Mr Ian Johnson, a former Welsh Water Authority microbiologist, and Mr Colin Griffiths, an accountant, who retain a 60 per cent equity interest. A further 30 per cent is in the hands of Questor and Abingworth, two venture capital groups which invested £1.35m in the company, another 8 per cent is in the hands of a local investor and the balance is held by the Welsh Development Agency.

Mr Brian Levett, managing director, said the original investors still have to decide how much of their equity holding will be released to the market. He said additional funds raised through the placing would mainly be used to fund an overseas marketing drive. Biotrace already has a direct sales operation in the US and a marketing partnership in continental Europe with a Danish group, Foss Electric.

"The plan is to become the world market leader as well as the technological leader," Mr Levett said.

Biotrace currently has three new rapid testing systems in its range, the Multi-Lite which is used for laboratory testing of food and drink, Auto-Lite used for testing long life products for sterility and its recently launched Uni-Lite, the first direct hygiene swab monitor.

Biotrace has also sold instruments to companies in other industries including water treatment, sanitation, cosmetics and pharmaceuticals.

Ladbroke injunction against Mail on Sunday

By Antonia Sharpe

LADBROKE, the hotels, betting, property and DIY group, has obtained an injunction against the Mail on Sunday preventing it from publishing specific allegations which the company says are untrue and highly damaging.

The injunction was obtained on September 25. Last Friday, after hearing from contacts in the City that other Sunday newspapers were investigating these allegations, Ladbroke instructed its lawyers to send them a letter informing them of the injunction.

The letter said: "It has been brought to our attention that certain scurrilous rumours are circulating regarding both Ladbroke's relationship with its bankers and the circumstances of its chairman's recently-announced decision to retire at the end of this year. These rumours, as well as being entirely false, are highly damaging."

"Our client has already obtained an injunction against a national newspaper preventing their publication, and no application has been made to discharge it", the letter continued. However, the Mail on Sunday reported yesterday that it was preparing an application to have the injunction lifted.

Ladbroke said that it had no alternative but to take the legal route when these "off-the-wall" allegations were brought to its attention.

One month ago, Mr Cyril Stein announced his intention to retire at the end of the year after 37 years at the head of Ladbroke. However, he will be a non-executive director for a further three years.

Turnover in Ladbroke's shares almost doubled last week, from 3.5m shares on Monday to 6.6m shares on Friday.

Strategy change at Do It All

By John Authers

A new business strategy for Do It All, the DIY chain owned jointly by Boots and WH Smith, is due to be announced before Boots reveals its interim results on November 4.

Options under discussion include sales of stores, or closures, or an acceleration of plans to "re-vamp" existing stores by refitting them so that products are grouped according to different DIY projects.

Boots and WH Smith have also been in discussions with possible buyers for the company, although a spokesman for Boots asserted that reports that "parcels of stores" had been marketed to other retailers were untrue.

In August, WH Smith, which owns 50 per cent, said its share of Do It All's losses for the year to May was £14.3m, with sales down 7.3 per cent.

Clean, tidy and ready for new brooms

Andrew Baxter on the challenge for Babcock's chief executive and managing director

IT CAN'T have been much fun for Mr John Parker and Mr Nick Salmon to see news of their arrival at Babcock International, the big engineering contractor, accompanied by an immediate 20 per cent fall in the share price.

The two men start work today as chief executive and managing director respectively at Babcock, less than a month after the company shocked the City by revealing it would report a loss for the six months ended September 30, and would pass its interim dividend.

That was the result of a £20m provision because of cost over-runs on Babcock's £420m flue gas desulphurisation contract at National Power's Drax power station in North Yorkshire, and closure costs for Babcock Africa's non-core mining activities.

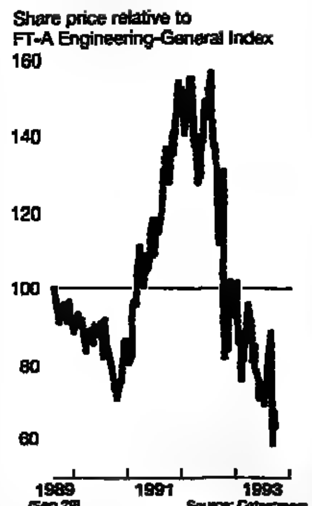
It was just the latest in a long run of knocks for Babcock over the past year – the loss of £6.2m on a power station contract in Humberside, the departure in May of Mr Oliver Whitehead as chief executive, and the choice of Devonport as the UK's nuclear submarine refitting base in preference to Rosyth, where Babcock has the management contract.

Inevitably, the bad financial news rather overshadowed the appointment of Mr Parker, who joins Babcock after 10 years as chairman and chief executive of Harland and Wolff, the Belfast ship builder, and Mr Salmon, formerly deputy managing director of GEC Alsthom's gas turbine and diesel division.

However, the appointments could mark a turning point in Babcock's fortunes, and those of its two new chiefs. Babcock will not disclose its succession plans, but it seems likely that Mr Parker could end up as chairman of the company, taking over from Lord King in two or three years. Mr Salmon might then step up to become chief executive.

Babcock International

Share price relative to FT-A Engineering-General Index



The two new men are not talking yet about their plans for the company, but a rigorous review of the business over the past year by Lord King and Mr Jeff Whalley, who has been acting chief executive since May and will remain as joint deputy chairman with Mr Parker, has laid the ground and pointed the way ahead.

The picture that emerges is a company that is, in Mr Whalley's words, "clean and tidy," with no more shocks in store for shareholders. But it also has a number of strategic challenges to address around its main divisions:

● **Materials handling:** Last year's acquisition of Consilium was intended to add ship-to-shore materials handling to Claudius Peters' onshore bulk handling equipment, mainly for cement. Manufacturing and marketing has been rationalised and combined, and management "needed a push along, and to show a bit more aggression," says Mr Whalley. The division makes about £9m to £10m on sales of £150m to £160m, but could achieve as much as 10 per cent return on sales, he says.

John Parker (left), and Nick Salmon: they start work today amid hopes that the run of troubles at Babcock has come to an end

● **Facilities management:** Babcock Thorn's management contract at Rosyth, a 65-35 arrangement with Thorn EMI, runs out in April 1995, but can be extended for a year either by the government or the contractors. Mr Whalley says Babcock, as sitting tenant, is in a good position to win a renewed contract or bid for the dockyard if the government decides to privatise it.

Meanwhile, with employment at Rosyth down from 7,000 in 1987 to 3,800, Babcock is keen to build up its rail refurbishment work at Rosyth, a business it entered through the 1991 acquisition of Coventry-based Tickford Rail.

As Tickford only refits carriages it needs to form a partnership with a company that knows how to refurbish locomotives to be sure of winning future business from British Rail. It is talking to a number of potential partners.

● **Energy:** This is another area where partnerships or joint ventures could be crucial to Babcock's future. In the past, it was the natural supplier of boilers to UK-funded GEC power stations built all over the UK and the old British empire.

But GEC Alsthom, inheritor of the GEC power plants business, has its own boiler makers in France and Germany, and Babcock has to fight much harder to win business. It is also having to respond to the need for more local content in big Far Eastern contracts, which explains why the Renfrew plant has seen employment fall by 400 to 1,150 in the past few months.

In the City it is no secret that Babcock is talking to other boiler makers with different geographical strengths and modern "clean coal" technologies. A deal with a turbine producer which lacks its own boilers could also make sense.

● **Contractors:** Closely related to the energy division, this has also had to respond to the collapse of traditional UK markets, such as nuclear work. The purchase of King Wilkinson 18 months ago took it into the Middle East oil and gas contracting business. It is also beginning to expand in Asia.

At Drax, the £15m cost overrun was caused by the need to "flood" the site with workers so that Babcock could keep to its deadlines following a technical problem last autumn.

With a new team running the contract, Mr Whalley says he feels much more comfortable, and is confident that the first two of six FGD units will be handed over to National Power on December 17.

The problem at Drax, however, highlights a broader issue that the new chiefs at Babcock will have to resolve. If a £15m provision can cause such havoc financially, is the company big enough to survive in the risky world of contracting? According to Mr Whalley, the current balance sheet of £90m is big enough for Babcock's current level of business.

However, if the new team makes a success of developing Babcock's contracting business in international markets, which is where its skills are needed most, it looks as if the balance sheet will have to expand too.

"If they want to expand in the Far East, and cope with the penalty clauses, no money up front, and slow progress payments in modern contracting, it is obvious that the balance sheet will have to expand," says Mr Jonathan Getz at Robert Fleming Securities.

There are, of course, a number of ways Babcock could achieve this. But that will be up to the new team.

Market float likely to value Fenchurch up to £80m

Fenchurch Group, which specialises in insurance broking and is a Lloyd's agent, is coming to the market later this autumn, writes David Blackwell.

Before the flotation, which is expected to give it a market capitalisation of £70m to £80m, it will demerge Fenchurch Underwriting Agencies.

It believes investors might be nervous about buying into a Lloyd's underwriting agency.

Mr Tony Wheal, finance director, said the proceeds would be used to repay the remainder of the debt – about £20m – incurred in the £33m management buy-out from Guinness Peat in 1989. The company intends to be ungeared.

Embassy Property back in black

Embassy Property Group has turned in pre-tax profits for the year to March of £1.67m after an exceptional gain of £6.72m from its financial restructuring and a £3.59m provision on its properties.

For the previous year losses of £7.8m were incurred.

Turnover amounted to £11.9m (£13.4m) for the 12 months and earnings per share came to 3.03p against losses of 84.1p.

France expected to price BNP share offer today

By Alice Rawsthorn in Paris

THE French government is expected today to launch the first share sale in one of Europe's most ambitious privatisation programmes by announcing the price of the shares to be sold in Banque Nationale de Paris (BNP), the leading banking group.

Sources suggest that the economy ministry plans to announce the share price late this afternoon after the close of trading on the Paris stock market.

However, the government will only proceed with the sale if it is convinced that market conditions are right. If not, it will postpone the offer until the investment climate improves.

The success of the BNP issue will be critical to the prospects for the rest of the privatisation programme, which could include the sale of as many as 21 state-controlled companies to the private sector, including the Elf-Aquitaine oil group and the Renault motor company.

BNP, the traditional bastion of French banking, *is one of* the most prestigious companies on the privatisation list.

The consensus among analysts is that the BNP shares will be priced at between FFr250 and FFr275, valuing the group (which will have a total of around 180m shares) at between FFr45bn and FFr49.5bn ($7.9bn-$8.7bn).

Exact details of the allocation of shares in the offer have yet to be confirmed.

However the government, which owns 72.9 per cent of BNP, is expected to sell 72m shares, or a 40 per cent stake.

Approximately half of these shares will be sold to French individual investors. Some 17.4m shares have been earmarked for French institutions and 32.6m will be available to foreign investors.

Union des Assurances de Paris (UAP), the insurance group which now owns 10 per cent of BNP, plans to raise its holding to 15 per cent. Another 15 per cent tranche will be set aside for long-term strategic investors.

A 17 per cent stake is likely *to be set aside for the holders* of investment certificates in BNP, who currently hold the same proportion of its equity, although the precise terms of conversion for the investment certificates have yet to be finalised.

The government will be left with a 13 per cent holding in BNP. Of this, it will cede a stake of up to 10 per cent to Dresdner, the German bank with which BNP has negotiated a cross-shareholding venture.

A further 8m shares are earmarked for sale to the bank's employees, with the rest of the state's holding reserved to be given as loyalty bonuses to long-term investors.

After the completion of the BNP offer, the government hopes to press ahead with the *privatisation of Rhône-Poulenc*, the flagship French chemicals company, which is scheduled as the second issue in the share-sale programme.

The Rhône-Poulenc offer is expected to be completed by the end of the year.

UAP in fresh talks on Victoire

By Alice Rawsthorn

UNION des Assurances de Paris (UAP), the French insurance group, has reopened negotiations with Suez, the financial and industrial holding company, over the future of Victoire, the French insurer in which the two groups have significant share stakes.

The wrangle over Victoire, in which the Suez group has a majority holding and UAP a 34 per cent stake, has been one of France's most tortuous corporate sagas.

UAP has for some time been pressing Suez to agree to exchange the former's Victoire shares for shares in Colonia, the German insurer controlled by Victoire.

The two companies last year came close to a deal, only to fall out at the last minute over the price.

Mr Gérard Worms, chairman of Suez, then announced that his group was withdrawing from negotiations.

Jean Peyrelevade: UAP chief pressed for talks with Suez

Mr Jean Peyrelevade, chairman of UAP who was previously Mr Worms' boss as head of Suez, has since pressed for a resumption of the talks.

On Friday, Suez issued a formal *statement confirming* that the two companies had "recently resumed" negotiations over Victoire. The statement added that the talks had not yet been concluded but *they were being "actively* pursued".

The reopening of negotiations comes at a critical time for Mr Peyrelevade.

He has made no secret of his eagerness to conclude the Victoire affaire before the forthcoming privatisation of UAP, a state-controlled company which is on the government's list of sale candidates.

The need to secure a successful conclusion has also been heightened by speculation that Mr Peyrelevade is a candidate to succeed Mr Jean-Yves Habérer, as chairman of Crédit Lyonnais, the troubled French banking group.

Mr Habérer recently confirmed that he was considering quitting Crédit Lyonnais. Mr Peyrelevade would be keen to secure a successful conclusion for the potentially *embarrassing* Victoire saga before leaving UAP.

Record Malaysian financing for YTL

By Kieran Cooke in Kuala Lumpur

BANK BUMIPUTRA, the Malaysian bank which in the past has been dogged by controversy and *bad debts*, is heading a group of institutions arranging a M$2.66bn ($1.04bn) debt financing package for YTL, a listed Malaysian construction company.

The package, which will be entirely in ringgit, the Malaysian dollar, is described by Schroders, YTL's financial advisers, as the largest debt financing ever arranged for a Malaysian borrower.

YTL has the licence to build, own and operate two power stations in the south of the Malaysian peninsula under the country's independent power producers (IPP) programme.

National Power of the UK was to have taken a 10 per cent equity stake in the project, but it withdrew in July this year citing "contractual differences."

Subsequently, the German Siemens group has become involved in a turnkey project to build the two power plants, but is not taking any equity in the project.

There had been speculation that without a foreign equity partner YTL would face *problems raising such a large* amount of project finance. Banking analysts say the government, keen to make a start on IPP projects to satisfy Malaysia's growing power needs, is likely to have exerted some pressure on state-controlled Bank Bumiputra to arrange the loan.

The financing consists of two facilities: a 15-year fixed-rate ringgit bond issue, which will be subscribed by the state-run Employees Provident Fund (EPF), and a 15-year ringgit floating-rate commercial loan.

The loan is underwritten by Bank Bumiputra, United Malaysian Banking and Kreditanstalt für Wiederaufbau (KfW) of Germany.

Bank Bumiputra plans to sell down its floating-rate loan *to other Malaysian banks*. KfW is also being funded by local banks.

Swiss Re lifts earnings to SFr281m

By Ian Rodger in Zurich

SWISS Reinsurance has reported a 5.6 per cent rise in net earnings to SFr281m *($197m) for 1992 and has* proposed a share split and rights issue to raise SFr575m.

The group, the world's second largest reinsurer after Munich Reinsurance, said gross premiums rose by 25.6 per cent last year to SFr21.9bn.

However, about half of the growth in gross premiums came from changes in the scope of consolidation, mainly from including Elvia's figures for the first time. Net premiums rose 27 per cent to SFr20.7bn.

The underwriting loss in non-life business soared by 43 per cent to SFr1.12bn, reflecting the impact of Hurricane Andrew and a generally "unfavourable experience" in the insurance business. Hurricane Andrew cost the group SFr500m.

On the other hand, the underwriting income in life insurance jumped 38 per cent. Financial income was 11.9 per *cent up to SFr2.06bn*.

The management board has proposed splitting the company's SFr100 nominal registered and bearer shares at the rate of five for every one share held, and also converting the SFr20 nominal non-voting participation certificates into registered shares.

These moves are similar to those made by other quoted Swiss companies following a change in company law last year. Swiss Re said the changes would promote liquidity of its share trading.

The board is also proposing opening its share register to foreigners, but limiting all shareholders to a maximum of 3 per cent of the registered share capital.

This too follows a trend aimed at overcoming the unhappiness of foreigners with being disenfranchised, while preventing hostile takeover bids.

The rights issue will be on the basis of one new bearer or registered share, following the splits, for every 10 shares or participation certificates held. The price, expected to be about SFr475 a share, will be set on November 24.

Swiss Re said that the funds would be used "to support the growth in business anticipated for 1993 and subsequent years".

In August, the group joined with John Head & Partners, a New York merchant bank, to create a new company, Partner Reinsurance, to specialise in natural catastrophe insurance.

Swiss Re will contribute $100m to the Bermuda-based venture.

Publicis warns of downturn

By Alice Rawsthorn

PUBLICIS, one of France's largest advertising groups, has warned of a fall in net profits for 1993 following a 7.1 per cent decline in first-half net profits to FFr60m ($10.5m), compared to the same period of 1992.

The group, like other advertising agencies, has been affected by the general slowdown in the French economy. The combination of static consumer spending and reduced industrial investment, together with comparatively high interest rates, has forced many French companies to cut their marketing budgets.

These problems have been aggravated by the reform of French media buying regulations implemented by Mr Michel Sapin, the former socialist finance minister.

Mr Maurice Lévy, chairman of Publicis, had already warned that net profits for 1993 would show a "slight fall" on the previous year.

Publicis yesterday forecast a 16.1 per cent reduction in net profits to FFr125m in 1993 from FFr149m in 1992 and a decline in sales of 4 per cent to FFr19.2bn from FFr19.9bn.

Operating profits fell 8.9 per cent to FFr199.9m in the first half of 1993 from FFr219.6m in the same period of 1992, on turnover down 11 per cent to FFr9.33bn.

● Elf-Aquitaine, the state-controlled French oil group, has appointed Alice as the advertising agency for its forthcoming privatisation. Alice was the agency behind the advertising campaign for this year's "Balladur bond".

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Minorco (Luxembourg)/ Anglo American Corp (South Africa)	Asset exchange	Mining	£960m	Complex deal simplifies holdings
Investcorp (Bahrain)	Gucci (Italy)	Luxury goods	£110m	Investcorp takes control
NBC (US)	Super Channel (Italy)	Television	£40m	Taking majority stake
Parmelia Resources/ ANI (both Australia)/ Amur Steel (Russia)	Joint venture	Steel	£39m	Production & marketing move
Waterford Foods (Ireland)	Unit of Dairy Crest (UK)	Dairy products	£7.4m	DC continues dairy sales
Macmillan (US)/Thebe Investment (S Africa)	JV	Publishing	£0.4m	Controversial link-up
Nestlé (Switzerland)	Deer Park Spring Water (US)	Soft drinks	n/a	Buy through Perrier Group
Hongkong & Shanghai Banking Corp (HK)	Banco O'Higgins (Chile)	Banking	n/a	Taking 10% equity stake
Wella (Germany)	Sebastian International (US)	Personal care	n/a	Taking controlling stake
Philip Morris (US)	Almaty Tobacco (Kazakhstan)	Tobacco	n/a	First significant western stake

Miami group launches Cuba fund

By Patrick Harverson in New York

THE Miami-based fund management group Thomas J. Herzfeld has launched the first closed-end fund to invest in US, Caribbean and Latin American companies likely to benefit when the US trade embargo against Cuba is finally lifted.

Although the main purpose of the fund is to allow investors to buy a stake in the future of a post-communist Cuba, the fund – Herzfeld Caribbean Basin Fund – will also invest in companies that benefit from the development of economies in the Caribbean region as a whole.

Current US law prohibits direct or indirect investment in Cuba. However, Cuba's economic problems, the steady deterioration of the economic and social infrastructure on the island and the gradual erosion of President Fidel Castro's popularity and power has led many US politicians and businessmen, especially those in Florida (which is only 90 miles from Cuba) to prepare for the end of communist rule in Cuba and the lifting of the US embargo.

Mr Herzfeld said that most of the shares in the Cuba fund would be sold to established clients of his company, but a third of the shares in the $10.4m fund would be made available to the public.

INTERNATIONAL CAPITAL MARKETS

INTERNATIONAL BONDS

Global offerings push US houses up league table

THE POPULARITY of global bond offerings has strengthened the position of US investment banks in the international bond market, at the expense of European and Japanese banks, industry data show.

The number of US banks in the top 10 positions in the league table of Eurobond lead managers has risen to five at the end of the third quarter of this year from three at the same stage last year, according to IFR Securities Data.

Goldman Sachs, which was in fifth place last year, has captured the number one slot from Deutsche Bank. Morgan Stanley, Salomon Brothers and Lehman Brothers have climbed into the top 10 from double-digit positions in 1992.

A wide range of supranational, sovereign and provincial borrowers have issued global bonds in the past year, culminating with the Republic of Italy's record $5.5bn offering in mid-September.

The process of offering bonds simultaneously in the US, Europe and Asia allows borrowers to raise larger sums than in the Eurobond market and to place the paper at the best possible price.

EUROBOND ISSUES BY CURRENCY

1993* Rank	Currency	Total raised ($bn)	No. of issues	1992* Rank	Total raised ($bn)	No. of issues
1	US$	109.46	539	1	77.41	377
2	D-Mark	43.47	135	4	18.60	98
3	Sterling	35.18	160	5	16.41	71
4	Yen	31.01	161	2	24.15	120
5	FFr	28.86	118	6	15.33	71
6	C$	24.69	141	7	14.72	80
7	Lira	10.11	78	8	7.82	36
8	Guilder	8.29	39	9	4.34	28
9	Ecu	5.12	17	3	20.47	80
10	A$	2.60	35	10	3.47	45

*First nine months

Source: IFR Securities Data

Not surprisingly, the mandates for these issues – the majority of which have been in dollars – have tended go to banks which have the ability to distribute and trade the bonds on a global basis.

This is where US banks have the edge over their European and Asian competitors, since they have been more successful in penetrating the European and Asian markets than vice versa. Their increased market share also reflects the diversification of their primary and secondary business into other currencies apart from the dollar.

By contrast, the majority of mandates won by German, Japanese and UK banks are still for issues denominated in their domestic currency despite their efforts to diversify into other currencies.

However, although US banks have been successful in establishing relationships in a market where around half of the borrowers and investors are European, they still have to prove that they have a long-term commitment to the market.

Although they are quicker off their feet when a market becomes interesting, in the past US banks have been equally quick to withdraw when conditions deteriorate. European and Asian banks, by contrast, have a much more consistent track record.

US banks also remain a force to reckoned with because of their extensive retail networks. The Eurobond market is still dependent on retail investors in Europe and Asia, in spite of the growing interest from institutional investors.

Volume in the Eurobond market has topped the $300bn mark after the first nine months of this year, compared with $269bn for the whole of last year.

Syndicate managers expect the new issues market to remain active for the next eight weeks, during which time the World Bank is expected to launch its first D-Mark global bond offering.

The European Community is expected to tap the D-Mark and Ecu sectors. Several sovereign borrowers, including the Kingdoms of Belgium and Denmark, are also scheduled to make an appearance.

Antonia Sharpe

TOP EUROBOND LEAD MANAGERS

Manager	First nine months of 1993 $bn	Rank	%	Issues	First nine months of 1992 $bn	Rank	%	Issues
Goldman Sachs	23.20	1	7.70	63	10.10	5	4.94	34
Deutsche Bank	20.65	2	6.85	68	16.75	1	8.20	67
Credit Suisse/CSFB	14.67	3	4.87	69	12.87	3	6.30	57
Morgan Stanley	14.50	4	4.81	66	4.12	17	2.01	20
Nomura Intl. Group	12.86	5	4.27	49	14.68	2	7.18	66
Salomon Brothers	12.82	6	4.25	44	4.31	16	2.11	21
Merrill Lynch	11.99	7	3.98	58	10.38	4	5.08	43
Lehman Brothers	11.33	8	3.76	61	4.99	14	2.44	25
Dresdner Bank	11.06	9	3.67	24	3.85	18	1.88	15
Paribas	10.27	10	3.41	44	10.05	6	4.92	38
Industry totals	301.25		100.00	1481	204.21		100.00	1032

Full credit to book runner

Source: IFR Securities Data

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book runner
US DOLLARS							
Kalokichi Co.(a)ф	190	Oct.1997	0.75	100	-	-	Nomura International
Bangkok Land(Cayman Is)(h)§	150	Oct.2003	4.50	100	-	-	Daiwa Europe
Lintec Corp.(v)ф	70	Oct.1997	0.875	100	-	-	Nikko Europe
Federal Realty Inv. Trust(g)§	75	Oct.2003	5.25#	100	-	-	Goldman Sachs Intl.
Kumho USA(k)‡	30	Oct.1997	(k)	100	-	-	Yamaichi Intl. (HK)
Spintab(l)‡	100	Sep.1998	(l)	variable	-	-	Kidder Peabody Intl.
Philippine National Oil Co.	90	Oct.1998	7.25#	99.63R	7.340	+265 (4¾%-98)	JP Morgan Securities
Kingdom of Denmark(m)	100	Aug.1997	4.75	100.70R	4.537	+11 (m)	Fuji International
Copene	100	Oct.2001	9.50#	98.709R	9.736	+495 (4¾%-98)	Salomon Brothers Intl.
Lintec Corp.(l)ф	70	Nov.1997	0.875	100	-	-	Nikko Europe
Amoy Properties(n)§	250	undated	5.50	100	-	-	Jardine Fleming
Gen.Electric Capl.Corp.(o)‡	100	Oct.1998	(o)	100R	-	-	Kidder Peabody Intl.
Guangzhou Investment Co.(p)§	105	Oct.1998	4.50	100	-	-	Morgan Stanley Intl.
All American Comms.(q)§	60	Oct.2003	6.50#	100	-	-	NatWest Markets
Salomon(w)ф	294.5	Oct.1998	(w)	100R	-	-	Salomon Brothers Intl.
CS First Boston Group‡	200	Oct.2005	(x)	100R	-	-	CS First Boston
Banco de Colombia	50	Oct.1998	7.50#	99R	7.745	+300 (4¾%-98)	Citibank/ SBC
Skopbank‡	50	Oct.1998	(y)	99.95R	-	-	Sakura Finance Intl.
Mitsui Mining & Smelting Co.‡	31	Oct.1998	(a1)	100	-	-	Sakura Finance Intl.
D-MARKS							
Bank for Dutch Municipalities	1bn	Nov.2008	6.50	98.33R	6.572	+47 (6¼%-03)	Trinkaus & Burkhardt
BHF Finance (Neths.)	300	Oct.2003	6.25	100	6.250	-	BHF Bank
STERLING							
Lothbury Funding(c,d)‡	144	2031	(d)	100R	-	-	NatWest Capital Markets
Lothbury Funding(c,e)‡	150	2031	(e)	100R	-	-	NatWest Capital Markets
Lothbury Funding(c,f)‡	6	2031	(f)	100R	-	-	NatWest Capital Markets
Leeds Permanent B/S‡	125	Oct.1998	(r)	99.90R	-	-	Goldman Sachs Intl.
Pemex	75	Oct.2008	9	99.712R	9.045	+200 (6¾%-03)	Barclays de Zoete Wedd
Hammerson Prop. Inv. & Dev.	100	Oct.2003	7.875	95.691R	8.530	+145 (8%-03)	BZW/ NatWest Cap.Mkts.
National & Provincial B/S(d1)‡	100	Oct.1998	(d1)	99.80R	-	-	Goldman Sachs Intl.
FRENCH FRANCS							
Credit Commercial de France	1.5bn	Oct.1998	5.875	99.26R	6.051	+40 (5¾%-98)	CCF
YEN							
IBM International Finance(s)	30bn	Jan.1997	3.50	100.20R	-	-	Merrill Lynch Intl.
Mitsui & Co. USA(s)	10bn	Jan.1999	3.90	100.67R	-	-	Sakura Finance Intl.
European Sovereign Invs.(z)	10bn	Sep.1998	3.30#	101	-	-	Sumitomo Trust Intl.
Mitsui & Co.Intl.(Europe)(s)	7.4bn	Jan.1998	3.80	100.50R	-	-	Sakura Finance Intl.
CANADIAN DOLLARS							
British Columbia Muni.Fin.Auth.	98	Nov.2003	7.25	98.55R	7.461	+38 (7½%-03)	Hambros Bank
Province of Alberta	500	Oct.2005	7.25	98.833R	7.400	+40 (7¼%-03)	ScotiaMcLeod
Nestle Holdings(t)	300	Oct.1998	6.25	99.20R	6.442	+5 (6½%-98)	UBS
Kingdom of Denmark	250	Oct.1999	6.50	98.65R	6.781	+32 (6½%-99)	Daiwa Europe
Credito Italiano (HK)(b1)‡	50	Oct.2003	(b1)	99.50R	-	-	C.Italiano/ K.Peabody
GUILDERS							
MeesPierson	250	Nov.1998	6	100.20R	5.953	+26 (6¼%-98)	MeesPierson
Aegon	350	Oct.1998	5.875	99.80R	5.922	+27½ (6¼%-98)	Rabobank Nederland
ITALIAN LIRA							
General Electric Capital Corp.	200bn	Oct.1998	8	101.575	7.610	-	Paribas Capital Markets
Johnson & Johnson(u)	150bn	Oct.2003	8.82	102	-	-	Bca. Nazionale de Lavoro
World Bank‡	150bn	Oct.1998	(v)	100.735	-	-	San Paolo, Turin
Eurofima	150bn	Oct.2003	8.375	101.725	8.117	-	Bca. Nazionale de Lavoro
Eurofima‡	150bn	Oct.2003	(c1)	99.825	-	-	Bca. Nazionale de Lavoro
SWISS FRANCS							
Toshoku(b)★§	400	Oct.1997	0.125#	100	-	-	Swiss Bank Corp.
Aichi Tokei Denki Co.(i)★ф	60	Oct.1997	0.50	100	-	-	Bank von Ernst & Cie.
Megal Finance Co. (Cay.Is.)	175	Nov.1998	4.50	102.25	3.995	-	Banque Paribas (Suisse)
Asahipen Corp.(e1)★ф	80	Oct.1997	0.50	100	-	-	Credit Suisse

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ★Private placement. §Convertible. фWith equity warrants. ‡Floating rate note. ‡Variable rate note. #Semi-annual coupon. R: fixed re-offer price. a) Denom.: $10,000 + 2 warrants. Exercise price: Y3301. FX: 106.20Y/$. b) Conversion price: Y954. FX:75.43Y/SFr. Long 1st coupon. Callable on 31/10/95 at 102% declining by ½% semi-annually. Callable on 31/10/94, subject to 130% parity rule, at 101½% declining by ¼% semi-annually. Conversion price adjustment clause effective Oct.95. c) £300m mortgage backed deal. Long 1st coupon. Callable from Oct.2000. d) Class A1 notes. Coupon pays 3-month Libor + 0.2% until Oct.2000 and + 0.7% thereafter. Average life: 1.88 years. e) Class A2 notes. Coupon pays 3-month Libor + 0.4% until Oct.2000 and + 0.9 % thereafter. Average life: 5.09 years. f) Class B notes. Coupon pays 3-month Libor + 1.2 % until Oct.2000 and + 1.7 % thereafter. Average life: 7.00 years. g) Conversion price: $36. Callable from 23/10/98 at par. h) Exchangeable into Bangkok Land ordinary shares at 118baht. FX: 25.2baht/$. Puttable on 11/10/98 at 110.73%. Callable from 11/10/98, subject to 140% rule, at 104% declining by 1% annually to par. i) Issue launched 24/9/93 was increased to $350m. Coupon pays 6-month Libor + 0.25%. j) Denom.: SFr50,000 + 50 warrants. Exercise price: 754Y. FX: 75.52Y/SFr. k)Dragon bond. Coupon pays 6-month Libor + 1%. l) Denom.: $10,000 + 2 warrants. Exercise price: Y1986. FX: 106.20Y/$. m) Fungible with existing $250m. Plus 30 days accrued interest. Spread is over the interpolated yield curve. n) Conversion price: HK$10.1. FX: 7.7369HK$/$. Callable, subject to 130% rule, on 2/11/98 at 106% declining by 1% per annum to par. o) Coupon pays 91-day cetes flat. Coupons and redemption proceeds are linked to pesos. Callable in certain circumstances. p) Conversion price: HK$2.48. Fx: 7.7371HK$/$. Callable, subject to 130% rule, from 8/10/95 at par. Callable if 90% of bonds are converted. q) Callable from 1/10/98 at 104.843% declining to par from 1/10/2001. r) Coupon pays 6-month Libor + 0.15%. s) Short 1st coupon. t) Puttable if parent reduces stake to <51%. u) Callable annually from 27/10/96 at par. v) Coupon pays 6-month Libor - 0.35%. w) Coupon pays (in $) 3-month Yen Libor + agreed margin; minimum Yen Libor flat, maximum Yen Libor + 1.5%. Coupons, floors, caps and redemption proceeds are indexed to Yen. Callable on payment dates from 31/1/95 at par. Puttable if auction process fails twice. x) Coupon pays 6-month Libor - 0.25%: minimum 5⅛%, maximum 8⅛%. y) Coupon pays 6-month Libor + 0.46%. z) Short 1st coupon, long 2nd coupon. a1) Coupon pays 6-month Libor + 0.45%. b1) Issue launched 22/9/93 was increased to C$150m. Coupon pays 6-month BA's - 0.25%: minimum 7%, maximum 10%. c1) Coupon pays 3-month Libor - 0.375%. d1) Coupon pays 3-month Libor + 0.15%. Callable from 15/10/97 at par. e1) Fixing: 7/10/93. Callable on 21/10/96 at 101% declining by ¼% annually. Note: Yields are calculated on ISMA basis.

RISK AND REWARD

Setback for active quantitative fund management sector

The active quantitative ("active quant") fund management sector suffered a setback last week when it was revealed that the performance statistics of one of the most successful managers is being questioned.

Hill Samuel Investment Management is one of the few active quantitive fund managers to be able to attract the attention of the pension fund consultants, and consequently their clients, with its Active Value Management product. Its chief attraction was that it had a five-year track record based on actual returns from money under management and did not rely on hypothetical "back-testing" to show prospective clients how it performed.

Active quant is a broad term encompassing a mathematical approach to stock picking and asset allocation by collecting and analysing vast quantities of data about each stock. Active quant managers decide which stock characteristics are likely to lead to outperformance and tilt their portfolios accordingly.

Last week, Mr Richard Bernays, chief executive of HSIM, said he had notified IMRO, the self-regulatory body for the fund management industry, that the initially generated performance data which had been used for marketing purposes had overstated the returns of some clients who had their own pools measured externally.

The disparities occurred primarily in 1992. One pension fund client, who said he took on Hill Samuel in 1992, said he did so after seeing performance returns showing that until then AVM had been delivering returns 4 percentage points above the FT-A all-share index. Mr Bernays said that for 1992 and 1993 the product had been just matching the FT-A all-share index.

While the client said he believed Hill Samuel had made every effort to deal with the problem, his pension fund board of trustees will be meeting later this week to decide whether they still retain confidence in the product.

So far, Mr Bernays said, HSIM has lost only one of its 11 clients, and a small one at that. The account left "not for performance reasons. We made some pretty rash claims which did not materialise," he said.

Within the past few months, HSIM has made some revisions to its product, broadening to 60 from 40 the number of stocks it holds in each portfolio. "When we analysed the portfolio, we found that the tilts were basically right. However, we had too many stock-specific and sector-specific risks," he said.

Pension consultants said that in addition to the reported performance figures, questions have been raised about the data for 1987. It is not clear whether the returns represent that of an actual portfolio or whether an "intellectual" portfolio was being run for a part of the year.

The problems were discovered after the departure of the team which developed the product. The team moved to State Street Global Asset Management, where it is now developing a product to compete with Hill Samuel's AVM.

Consultants said the affair may raise as many questions about performance measurement as it does about active quant as a technique.

"The industry was prepared to allow managers with good track records to show only three years of performance data," said one. Typically, five years of performance data are required for client presentations but, because active quant managers are much more clearly able to explain how they achieve their results, some consultants were prepared to recommend them based on only three years of performance.

Mr Alan Greenhorn, the former HSIM official who developed the AVM product, said he could not discuss the matter because of a confidentiality agreement. But he says that "performance measurement is the most difficult aspect of fund management. It is a kind of reverse engineering." Current methods are most appropriate for classic balanced management in which the manager allocates assets among different classes and picks securities within them. But for specialist fund management, new forms of measurement are needed, he said.

"You have got to be able to determine what was added by asset allocation, stock selection and currency overlay," Mr Greenhorn said. "Current performance measurement technique doesn't do that."

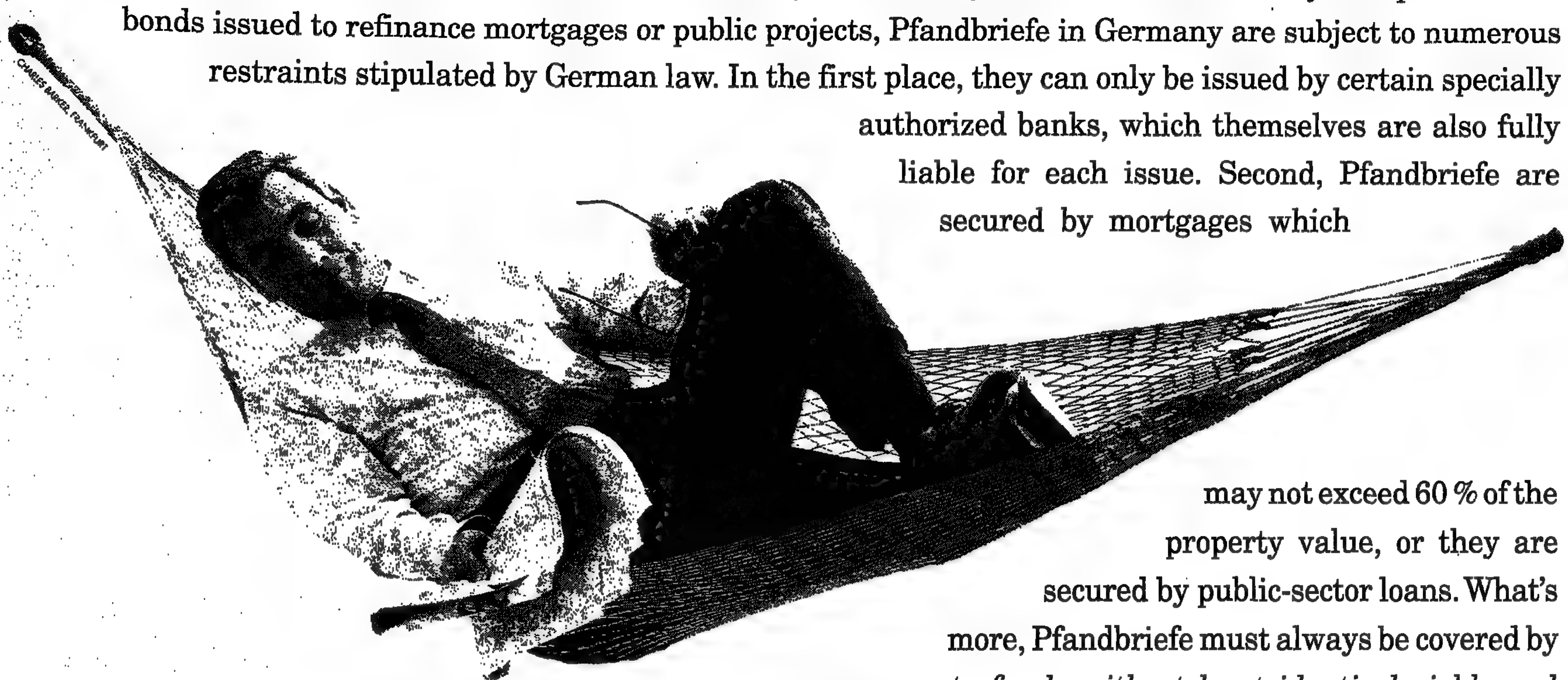
Norma Cohen

LEGAL NOTICES

THE GERMAN PFANDBRIEF

SOLID VALUE FROM THE GROUND UP

Safety and yield. That's what seasoned investors demand for their international fixed-interest portfolios. Take safety, for example. Safety is precisely what Germany's stringently monitored Pfandbrief system provides. As bonds issued to refinance mortgages or public projects, Pfandbriefe in Germany are subject to numerous restraints stipulated by German law. In the first place, they can only be issued by certain specially authorized banks, which themselves are also fully liable for each issue. Second, Pfandbriefe are secured by mortgages which



may not exceed 60 % of the property value, or they are secured by public-sector loans. What's more, Pfandbriefe must always be covered by separate funds with at least identical yields and maturities. In addition, all Pfandbriefe are examined by a state-appointed trustee. Finally, holders of Pfandbriefe have first claim on assets in case of default. As a result of these and other requirements, the German Pfandbrief system has an unsurpassed track record for safety. In fact, no German mortgage bank has ever defaulted, and no investor has ever failed to receive 100 % repayment on a German Pfandbrief held to maturity.

This time-tested legal framework plus yields usually higher than on German Treasury bonds (Bunds) help explain why Pfandbriefe, at DM 832 billion at year-end 1992, amounted to about 40 % of all bonds outstanding in Germany. Of this total, Germany's 26 private mortgage banks accounted for DM 503 billion. So with German Pfandbriefe you don't have to relax your expectations.

German Pfandbriefe are officially quoted on German stock exchanges. Issuers actively maintain a well-functioning secondary market.

IF YOU CAN'T RELAX WITH GERMAN PFANDBRIEFE, YOU CAN'T RELAX.

GERMANY'S MORTGAGE BANKS

DEPFA-BANK, WIESBADEN
BAYERISCHE VEREINSBANK AG, MÜNCHEN
HYPO-BANK, MÜNCHEN
DEUTSCHE HYPOTHEKENBANK FRANKFURT AG, FRANKFURT
RHEINHYP, FRANKFURT
DEUTSCHE GENOSSENSCHAFTS-HYPOTHEKENBANK AG, HAMBURG
FRANKFURTER HYPOTHEKENBANK AG, FRANKFURT
DEUTSCHE CENTRALBODENKREDIT-AG, KÖLN
BAYERISCHE HANDELSBANK AG, MÜNCHEN

WESTHYP, DORTMUND
BERLIN HYP, BERLIN
SÜDDEUTSCHE BODENCREDITBANK AG, MÜNCHEN
MÜNCHENER HYPOTHEKENBANK EG, MÜNCHEN
HAMBURGHYP, HAMBURG
WÜRTTEMBERGER HYPO, STUTTGART
NÜRNBERGHYP, NÜRNBERG
HYPOTHEKENBANK IN ESSEN AG, ESSEN
DEUTSCHE HYPOTHEKENBANK (ACT.-GES.), HANNOVER

BRAUNSCHWEIG-HANNOVERSCHE HYPOTHEKENBANK AG, HANNOVER
ALLGEMEINE HYPOTHEKEN BANK AG, FRANKFURT
RHEINBODEN HYPOTHEKENBANK AG, KÖLN
LÜBECKER HYPOTHEKENBANK AG, LÜBECK
NORDHYPO BANK, HAMBURG
BFG-HYPOTHEKENBANK AG, FRANKFURT
WL-BANK, MÜNSTER
HYPOTHEKENBANK IN BERLIN AG, BERLIN

INTERNATIONAL CAPITAL MARKETS

US MONEY AND CREDIT

Conflicting economic signals bring volatility

THE VOLATILITY in bond prices says it all. After a lacklustre first half of the year, the US economy has been throwing off conflicting signals in recent weeks.

Signs that the halting economic recovery may be picking up speed, alternating with renewed evidence of the recovery's weakness, have made the market jittery and big price movements common.

The bond market is still looking for the evidence that will either propel yields on long-dated bonds decisively below 6 per cent or finally bring an end to the bond market rally.

September employment figures, due on Friday, could help to determine which way the market will turn.

Last Friday's movement in prices summed up the recent mood.

A sharp jump in the August index of leading indicators, to 1 per cent, suggested a quickening in the economic pulse: the index had grown only 0.1 per cent in June and July, and fallen in the two previous months. Bond prices slid on the news.

But the regular survey from the National Association of Purchasing Management which followed later in the day pointed to the slow pace of manufacturing growth.

The NAPM index rose to 49.7 during September, from 49.3 in August (which was itself a fall from the 49.5 of July). Recovery, perhaps, but hardly striking: the bond market regained some of its confidence.

After all the choppiness in the market, bond yields ended little changed and still close to the psychologically important 6 per cent level.

The benchmark 30-year US Treasury long bond ended the week higher than it had started, at a yield of 5.99 per cent, compared with 6.03 per cent at the beginning.

Other straws in the wind also point to the lacklustre pace of recovery.

After the collapse of new bank lending in 1991 and 1992, virtually any increase in bank credit growth has the potential to look dramatic.

Therefore, it is as well to be cautious about the $5.8bn growth in bank lending in the latest reporting week, following the three-week decline that preceded it.

However, the make-up of that credit growth may be instructive: $1.1bn was in the form of personal loans, while $4.7bn was real estate lending.

This figure represented lending for residential rather than commercial real estate, but there have also been suggestions recently that the banks are beginning to overcome their commercial real estate phobia.

These latest bank lending figures bear out the picture for far this year: consumer loans have provided all the growth, rising consistently since the first quarter of the year.

Commercial and industry loans, by comparison, have continued to edge downwards.

Large companies have chosen to finance themselves through the capital markets. Smaller companies, meanwhile, have reduced their borrowings.

Nevertheless, with bank balance sheets primed with new capital after the bust at the start of the decade, and signs that lending is picking up in some sectors, the stage seems set for steady (if not dramatic) lending growth in the months ahead, helping to support the recovery.

August's employment data, which showed an unexpected fall in non-farm payrolls of 39,000, helped to spur the bond market rally.

However, September figures to be published this week are widely expected to have just the opposite effect.

Salomon Brothers, for instance, is projecting an increase in non-farm payrolls of 225,000, while Donaldson Lufkin & Jenrette predicts a 175,000 rise.

Both point to an expected pick-up in employment in services industries. On a less positive note for the economy, though, both predict a slight fall in working hours during September.

Richard Waters

Russia plans to trade gold bonds

RUSSIA plans to start trading gold-backed bonds this week as part of efforts to develop a domestic bond market, Reuter reports from Moscow. A finance ministry official said that bonds worth more than Rbs200bn had already been ordered.

Russia's market in government securities is so far limited to three-month Treasury Bills which are traded on the Moscow Interbank Currency Exchange.

PORTUGUESE BONDS

Rich pickings for yield-hungry investors

HIGH YIELDS and the prospect of further market liberalisation are luring foreign investors into the Portuguese government bond market.

Compared with most of their European counterparts, Portuguese bonds offer yield-hungry investors particularly good returns.

The 10⅝ per cent government bond – or Obrigacoe do Tresouro (OT) – due 2003 currently yields 9.70 per cent, 65 basis points over its Spanish counterpart and 360 basis points over the benchmark German bond.

Portugal has undertaken extensive reforms to create a liquid and transparent bond market.

The Treasury now holds regular auctions of bonds with maturities between three and 10 years, with a recent emphasis on seven to 10-year bonds; 14 primary dealers make a market at relatively tight bid-offer spreads; debt management has been centralised at the Treasury; and capital controls were lifted in December 1992.

The country is gearing up for further innovations. "It is definitely our intention to make the market more efficient, that is, deregulated," said Mr Manuel Pinho, director general of the Treasury. "This could permit a greater presence of non-resident investors."

Overseas involvement is "abnormally low" compared with other bond markets, he said. Foreigners own some 5 per cent of Portuguese bonds, but the Treasury is believed to want to lift this to some 30 per cent.

Foreigners have been big players in warrants on Portuguese bonds, hedged in D-Marks, which are traded in Frankfurt.

But Mr Pinho stresses he welcomes non-resident investment through "official channels", explaining that "we would like non-residents to come in through the door, rather than the window."

Attracting heavier foreign involvement will require further changes. For the primary market, the Treasury is mulling ways of speeding up settlements through a more efficient delivery-versus-payment system.

In the secondary market, it is considering regulating bond lending and repos, and is thinking of creating a screen-based over-the-counter market.

Meanwhile, investors hope the 20 per cent withholding tax for non-residents will soon be abolished. This would benefit US and Japanese investors most since their countries have no double-taxation treaty with Portugal. But even where such agreements exist, the reclaim procedure can be cumbersome.

Since "the Treasury receives very little income from withholding tax, it defies logic for the current system to continue," argues Mr Steven Major, senior bond analyst at Crédit Lyonnais.

"There is a strong argument to consider buying now with a view to taking advantage of withholding tax abolition," he recommends.

According to Mr Major, other liberalising measures are likely to include lower transaction costs, new settlement procedures conforming with international standards, and an automated link between the Portuguese Central Securities Depository to the Euroclear and Cedel clearing agencies.

He expects the measures to be announced in October to coincide with the publication of the 1994 budget.

Portugal's economic fundamentals are encouraging, with forecasts for a debt-to-GDP ratio of less than 60 per cent and a budget deficit of below 5 per cent of gross domestic product in 1994.

Its tough fiscal policy earned it an upgrading of its credit rating by Standard & Poor's from A plus to double A minus. This has helped its smooth return to the Eurobond markets where it has issued DM1.5bn of 10-year bonds, Y75bn of five-year bonds and $1bn of 10-year bonds this year.

Wage moderation and the depressed economy are limiting cost pressures so that average inflation will be close to 6 per cent at year-end, falling further in 1994, predicts Mr Major. Meanwhile, he expects GDP to grow by 0.2 per cent this year and 1.2 per cent in 1994.

The currency remains a risk, however. The escudo has depreciated by some 18 per cent against the D-Mark since it joined the European exchange rate mechanism in April 1992, though it has stabilised within a notional 6 per cent trading range since the widening of ERM trading bands in August.

Conner Middelmann

UK GILTS

Steady period in prospect

DEMAND for gilts strengthened last week on the back of anecdotal evidence that inflationary pressures in the UK are unlikely to be a problem for some time.

With little in the way of economic data on inflation, investors were quick to dive into the market to buy gilts at the first sign of any fall in prices. Such developments kept support fairly strong, in spite of last Wednesday's £3.25bn auction of 11-year gilts, which drained a large amount of supply.

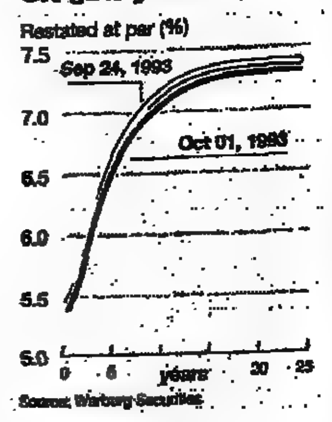
Over the week, 10-year gilts saw a yield drop of about 10 basis points, with yields being quoted at around 7 per cent on a par basis on Friday night. The auction means that the Bank of England has found buyers for three-quarters of the £45bn of gilts which it is estimated the UK will need to sell during 1993-94.

During the week, demand from non-UK institutions as well as UK pension funds and insurance companies was steady. While prices dipped on the day of the auction, they recovered later as investors moved in to take advantage of the increase in yields.

The next few days will see few economic data likely to affect demand for gilts. However, the markets will be watching for today's publication of the figures for the year-on-year rise in the M0 measure of money supply last month.

City analysts expect this to be about 4.3 per cent, rather less than the figures for recent months. If they are right, the data can be expected to lift gilt prices, on the grounds that they add to recent evidence that the upturn evident earlier this year is slowing.

UK gilts yield



Source: Warburg Securities

Subdued expectations remain that Mr Kenneth Clarke, the chancellor, could cut base rates, now at 6 per cent, during the next few days. He could announce this in his speech to the Conservative party's conference on Thursday. However, the consensus in the markets is that the chancellor is more likely to cut borrowing costs later in the year, possibly to offset any increases in taxes he might announce in the November 30 Budget.

Many commentators think a rate cut might be needed to inject more life into the economy, which has been looking lacklustre in recent weeks.

Mr Brian Pearce, chief economist of the Item forecasting group, relies for his views on anecdotes fed to him from 25 companies and financial institutions. He says: "Because of a slackening in demand, industry is being extremely cautious about predicting any significant rises in output. Costs are generally under control and many companies are suffering from severe competitive pressures. As a result, I don't see any good reason to be worried about inflation."

Summing up the view of many financial commentators outside the UK, Mr David Hale, chief economist of Kemper Financial Services in Chicago, says: "The British labour market has become a lot more flexible and cheap and as a result the UK looks in a good position to attract international industry. I don't think inflation in the UK is going to be an issue for the next 18 months or so."

If these views are correct, gilts can be expected to see a generally steady, if rather dull, period over the next few months. They may be helped by any general interest rate cuts in the rest of Europe but in the next few weeks few expect much in the way of any easing in monetary policy across continental Europe.

At the Bundesbank this Thursday, Mr Hans Tietmeyer, in his first council meeting as president, is expected to set the tone for such thinking and is unlikely to press for action on German interest rates.

Peter Marsh

FT/ISMA INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Bid price	Chg on week	Yield
Abb Intl Fin 8¼ 95	200	104⅛		4.50
Abbey Natl Treasury 6½ 03	1000	103⅞	+⅛	6.02
African Dev Bk 7¾ 23	500	103⅜	+⅛	6.73
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STRAIGHT BONDS: Yield to redemption of the bid-price. Amount issued is expressed in millions of currency units.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn=current coupon.
CONVERTIBLE BONDS: US Dollars unless indicated. Prem=percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem=exercise premium over current share price. Bond warrant ex yld=exercise yield at current warrant price.

Closing prices on October 1

CONSTRUCTION CONTRACTS

Building prison in America

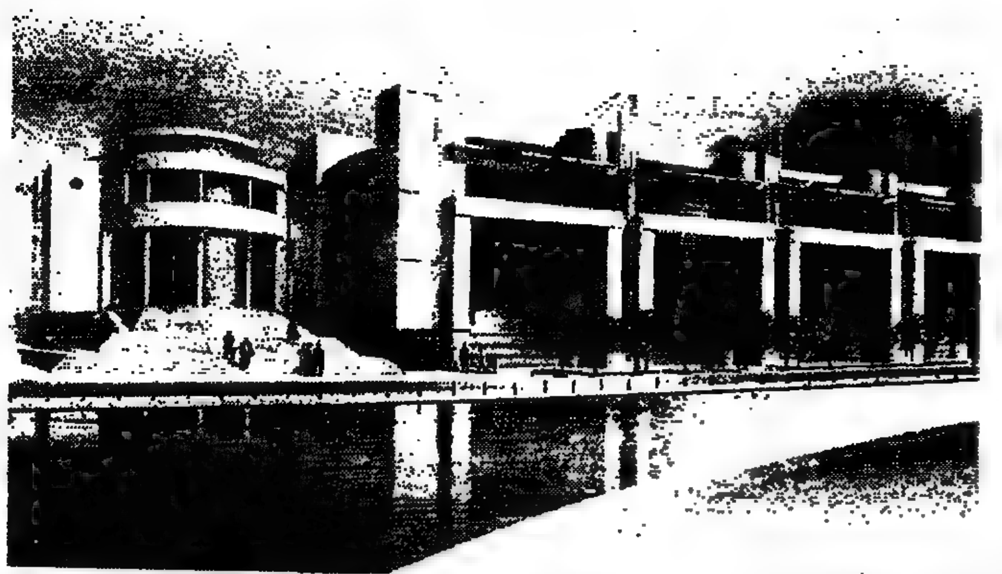
CHARTER BUILDERS, the American subsidiary of John Mowlem Construction, has won a US$57.4m (£37.2m) contract to construct a 4,000-bed detention facility on the site of the former Chase Naval Air Station at Beeville, Texas.

The project consists of two separate campuses with a mix of new buildings, three renovated buildings and upgrades to existing utility infrastructure and totals about 270,000 sq ft of total building area.

Each campus will consist of eight buildings – five to house inmates with dormitory type sleeping areas, an administration/education building, a segregation building with office space for correctional officers and a support building for food service, commissary and indoor recreation, together with two entrance buildings and four guard pickets.

The pre-engineered metal buildings, of identical span and spacing with extensive use of metal studs and pre-finished dry wall, will be set to a barrack style plan.

Crown courts in Docklands



The Lord Chancellor's Department has appointed OSPREY PROJECT MANAGEMENT as project managers for the Crown Court at East India Dock in London's Dockland.

At 13,000 sq metres the development (pictured above) will be the largest in Docklands for many years. The building will provided 12 courts with ancillary accommodation for judges, barristers, defendants, court staff and the public. The estimated cost of the project is put at £30m. Construction is planned to commence in 1995.

New bypass scheme in Cheshire

AMEC has joined forces with ALFRED McALPINE to win a civil engineering contract - the £36m A34 Wilmslow and Handforth bypass in Cheshire.

With work already under way on the Walshford to Dishforth section of the A1 and the A46 Leicester western bypass, the A34 contract award takes the total value of work won by the joint venture to almost £110m in just nine months.

Located to the south of the Manchester conurbation, the A34 scheme entails construction of 15km of flexibly paved dual carriageway and up to 40 minor structures including 31 bridges, two river crossings, three railway crossings, footbridges, culverts and several reinforced earth retaining walls.

The project is designed to ease congestion locally and will eventually form part of the eastern link road to Manchester Airport.

Made up of AMEC Civil Engineering and Alfred McAlpine Civil Engineering, the joint venture will begin work on the 104-week contract, which was awarded by Cheshire County Council, in early October.

M8 motorway extension development

The Scottish Office has awarded BALFOUR BEATTY the contract for the M8 motorway extension to the west of Edinburgh.

The contract is valued at a fixed price lump sum of £39m with a contract completion date of February 1996, and is believed to be the largest design and build road construction contract to be awarded in Britain so far.

The contract will extend the M8 motorway from its terminal point just south of Newbridge to connect with the Edinburgh City bypass at Sighthill. The works comprise the construction of 7.3km of dual two-lane motorway with hard shoulders and some 16 structures of which three are contractor designed. Also included are earthworks, accommodation and works for the statutory authorities.

Upgrading facilities at Ashford Hospital

A £14.7m contract at Ashford Hospital in Middlesex has been won by TAYLOR WOODROW CONSTRUCTION SOUTHERN.

At the hospital's 14ha site in London Road, Ashford, Taylor Woodrow will construct a number of buildings, extend the outpatients' department, and carry out alterations within other buildings. One of the new structures will be a 5,000 sq metres three-storey ward block.

The other, with kitchens and post-graduate facilities, will have two storeys and is 1,575 sq metres on plan.

Alterations will be carried out to the existing outpatients department, which will also have a 880 sq metres, two-storey extension. Taylor Woodrow will manage the installation of mechanical, electrical and plumbing services to all the facilities.

The company will also manage the associated external works including drainage, roads, landscaping and car parking. The project is due to be completed in spring 1995.

Business centre in Budapest

JAIDO (JAPAN INTERNATIONAL DEVELOPMENT ORGANISATION), NICHIMEN CORPORATION of Japan and UNIVERSALE BAU AG of Austria, have completed a joint venture agreement to develop the DM31m (£12.5m) Central Business Centre (CBC) in Budapest, Hungary.

The mixed use development of about 8,000 sq metres comprises offices, serviced business suites, retail and residential areas. Located on Horvatutca in Budapest's second district (on the Buda side of the River Danube), construction is due to commence in February 1994 for completion in August 1995.

Water treatment

NORTH WEST WATER has clinched a second multi-million pound contract to provide a water treatment plant in Sydney. The water company and its Australian partner, the construction company Transfield, will build and operate the new treatment plant for 25 years.

WORLD STOCK MARKETS

CANADA

TORONTO

4 pm close October 1

Quotations in cents unless marked $

Sales	Stock	High	Low	Close	Chng
58176	Abitibi Pr	$11½	11	11¼	+⅛
142250	AgnicoEa	$16½	15⅝	16⅜	+⅝
12100	Air Cda	410	400	410	
11793	Alberta En	$22¾	22½	22¾	
8000	AlbNtGas	$15¾	15⅝	15⅝	-⅛
283342	Alcan Al	$25⅛	24⅝	24⅞	
119985	Am Barr	$30¼	29⅜	29½	-⅝
2100	Atco Cl 1	$14¾	14¾	14¾	
254673	Bk Montr'l	$25¼	24½	25	
454343	Bk Nova Sc x	$27½	26⅞	27½	+⅛
32700	BC Sugar A	$9½	9⅜	9⅜	-⅛
123177	BC Tele	$21½	21⅜	21½	
163147	BCE Inc	$44⅝	44¼	44⅜	
2799	BCE Mobl	$38¼	37⅞	38	+⅛
21000	Belmoral	14½	14	14	
500	BGR A	$11⅞	11⅞	11⅞	+⅛
300	BioChemPh	$13¼	13	13¼	+¼
109014	Bomb'dierB	u$15¾	15⅜	15⅝	+¼
79905	Bow Valley	$16	15⅜	16	+¼
765200	Bramalea	25	24	25	
11300	Brascan A	$12¾	12⅝	12⅝	
881200	Brenkwater	11½	11	11½	
9900	Bruncor x	$21⅜	21¼	21⅜	+¼
2500	Brunswick	$7⅞	7⅞	7⅞	
48180	CAE Ind	$5¾	5½	5¾	
37650	Cambior	$15¼	15	15⅛	
233250	Cambridge x	$14¾	14½	14⅝	
25800	Cameco x	$23¼	23	23⅛	-¼
6567	C'bell Res	85	82	85	
498102	CanImpBk x	$31	30¼	30½	-⅜
27295	Can Occd	$29¼	28⅞	29¼	+¼
491341	Can Pac x	$27	26⅞	26⅞	-⅛
100	Can Tire	$17½	17½	17½	
89817	CanTire A	$16¼	15⅞	16	+⅛
16592	Can Util A	$24⅜	24¼	24⅜	+⅛
440	Can Util B	$24⅜	24⅜	24⅜	-⅛
10160	CanTngstn	115	112	115	
2000	CanGenInv	$31¼	31¼	31¼	-⅛
1000	Canfor	$35¾	35¼	35¾	-¼
20969	CnPcForest	$15½	15⅛	15½	-¼
65000	Cara Op	460	460	460	
7900	Celanese	$85	83	85	+1½
764	CntCpital	18	18	18	
32540	Cinepr Odn	375	365	370	-5
11200	Cntrl Fd A	$6⅜	6¼	6⅜	
106947	Cominco	$14⅞	14½	14⅞	+¼
20884	Coputalog	320	310	320	+5
148825	Corel Sys	$41½	40¼	41¼	
4000	CoscanDev	175	175	175	-5
390524	CrownX A	400	390	400	+5
500	Denison A	19	d19	19	
30407	Derlan	490	475	490	+10
44964	Dofasco	$15¾	15½	15¾	+⅛
62189	Dominn Txt	$11⅛	11	11	-⅛
30398	Domtar Inc	$6½	6⅜	6½	-⅛
300	Du Pont A	$45	45	45	
16606	DundeeBncA	$7¼	7	7¼	
30300	Echo Bay M	$13⅝	13¼	13⅝	
5300	Emco Ltd	$8⅞	8¾	8¾	
70200	Empire	$14⅝	14¼	14⅝	-⅛
15730	Euro Nev	$28¾	28	28½	-⅛
74600	FPI Ltd	340	335	340	+5
3100	FahnstkVnr	$9¾	9⅝	9⅝	-⅛
33729	Fed IndsA	$7⅛	7	7	
21400	Finning	$18⅜	18	18¼	-⅛
8500	Fst Mara A x	$15¼	15	15	
250	Fortis	u$27	27	27	+⅛
12600	Four Seasn	$17¼	17⅛	17⅛	-⅛
9140	FrancoNev	$68¾	68	68½	-¼
34068	Geac Comp	u$14½	14	14½	+½
5500	Gendis A	$18⅜	18⅜	18⅜	-⅛
100876	Gentra	37	35	37	
3200	Glamis Gld	$7⅞	7⅞	7⅞	
10000	GoldnStar	$12	12	12	-⅛
37950	Granges	320	310	320	
1000	GtW Lifeco	$18½	18½	18½	+⅛
54191	Gulf Cda R	495	490	490	
900	GW Utils	$6	6	6	
400	HarrisSt A	u$10⅛	10⅛	10⅛	
700	Hawker Sid	u$27	26¾	26¾	
22520	Hees Intl	$11¾	11⅝	11¾	+⅛
29700	Hemlo Gold	$11½	11⅛	11¼	+⅛
41200	Hollinger	$12⅝	12½	12½	-⅛
78014	Home Oil	$22½	22¼	22½	+⅛
27280	Horsham	$14¾	14⅝	14⅝	-¼
210	HudsBayM&S	490	470	490	
19181	HudsonsBay	$36½	36¼	36½	
48238	Imasco	$37⅛	36⅞	37	
88120	Imp Oil	$49⅝	48	49½	+1⅝
153628	Inco	$23⅞	23¼	23⅞	+¼
2500	IntlMurexT	$8⅝	8½	8⅝	+⅛
200	Intera Inf	$9⅞	9⅞	9⅞	-⅛
49264	IntprPipe	$29	28¾	28¾	-¼
45115	Invest Grp x	u$37½	37	37⅛	
27	Ivaco A	$5⅝	5⅝	5⅝	+⅛
2550	Jannock	$16¾	16½	16½	
110	KerrAddis	$20½	20½	20½	
64675	Labatt x	$22¼	22	22⅛	-⅛
172840	Lac Minls	$10⅝	10⅛	10¼	-⅜
3602	Lafarge	u$26⅛	25¾	26⅛	
23095	Laidlaw A	$7¾	7½	7½	-¼
559223	Laidlaw B	$7¾	7½	7½	-⅛
1300	Laurent Bk x	$16½	d16¼	16½	
11	Laurent Gp	$7	7	7	-1⅛
8500	Lawson Mar	$9⅛	8⅞	8⅞	-⅛
24550	Loblaw	$20⅞	20⅝	20⅝	-¼
48210	Mackenzie	$9¼	9	9¼	+⅛
149932	Maclean Hu	$11¼	11	11	-⅛
155182	Macm Bl	$21	20⅝	20⅝	-¼
115496	Magna IntA x	$57¼	57	57¼	-¼
3550	Mpl Lf Fds	$12⅝	12½	12⅝	
9115	Marit T&T	$22⅝	22⅜	22⅜	-⅛
106947	Mark Res	$10⅞	10¾	10¾	
20325	MDS Hlth B	$14⅛	14	14⅛	+⅛
1299290	Metall Min	$10⅝	d9⅞	10	-¾
2571	MidWalwyn	$10	9¾	10	+⅛
372196	Mitel Corp	$10¼	9¾	10	+¼
49593	Molson A	$25⅜	25	25⅛	
37250	Moore Corp	$23¾	23⅜	23¾	+¼
20600	Muscocho	35	33	34	
178379	Nat Bk Can x	$9⅞	9½	9⅞	+¼
54425	Newbridge	$90¼	87½	89½	-½
16825	Noma Ind A	$6¼	6⅛	6¼	
2545	NorandaFor	$10½	10⅜	10⅜	-⅛
22687	Noranda	$20¾	20⅜	20⅝	+⅛
68990	Norcen En	$21	20¾	21	
122740	Nth Tele	$32½	31¾	32	-½
3810	Northgate	130	130	130	
122948	Nova Corp	$8¾	8½	8⅝	
40200	Nowsco WSv	$19½	18	19½	+1½
5400	Numac En	$8⅞	8⅝	8⅞	+⅛
334050	Onex Corp	$16⅛	15¾	15¾	-⅛
27600	Oshawa A	$23¾	23½	23½	-¼
59900	PWA Corp	65	63	63	-2
56100	Pagurian A	230	225	225	
29050	Pancdn Pet	$43	42⅞	43	+⅝
61100	Pegasus	$24½	24¼	24⅜	-¼
20937	Petro Can	$12¾	12⅝	12⅝	
6000	PhilipEnv	$7⅞	7¾	7¾	-⅛
7000	Pioneer Mtr	30	30	30	
346134	PlacerDome	$25⅝	25¼	25⅜	
106262	Poco Pet	$9¾	9½	9¾	
9694	Power Corp	$17⅝	17⅜	17½	+¼
1100	Power Fin	$27½	27½	27½	
471800	Ranger Oil	u$7¾	7⅝	7⅝	+⅛
1000	Rayrock	$15⅞	15	15⅞	-⅛
2000	Reed Stem	$28⅛	d27¾	27¾	-⅞
49300	Reitman S	u$21½	21	21½	
122106	Ren'ssance	[illegible]	32⅞	33	
21837	Repap Ent	400	390	400	+10
119350	Rigel En	$23¾	23⅜	23¾	+⅛
4850	Rio Algom	$17⅝	17⅛	17½	
47134	RogersComB	$20½	20	20½	+¼
4000	Rothmans	$98	97½	98	-½
964897	RoyalBkCan	$26¾	26⅜	26⅝	-⅛
29900	Ryl Oak Mn	$5½	5⅛	5½	
200	StLawrCm A	$6⅞	6⅞	6⅞	+⅛
19187	SceptreRs	$12½	12⅜	12½	+⅛
100	ScottPaper	$10¼	10¼	10¼	+¼
3800	Scotts Hos	$10½	10⅜	10⅜	-⅛
187255	Seagram Co	$34⅝	34⅛	34⅛	-⅛
2361	Sears Can	$7⅜	7⅛	7⅛	-⅛
13450	ShellCan A	$42	41¾	42	
32206	Sherritt G	$8¾	8½	8¾	
52187	SHL Syst	$13	12⅞	13	
200	SNC Group	$19⅛	19⅛	19⅛	
2200	Sonora Gld	19	19	19	
70250	Southam	$17⅛	16⅞	16⅞	-⅛
14145	Spar Aero	$16⅛	16⅛	16⅛	
161045	Stelco A	465	440	455	+10
198425	TalismnEn	$31½	31	31½	
10500	Teck B	$17⅞	17½	17½	-⅛
30206	Teleglobe	$18⅝	18⅜	18½	-⅛
325142	Telus Corp x	u$14⅝	14⅛	14½	
124105	Thomson	$15⅝	15½	15½	
502121	Tor Dom Bk	$19⅝	19⅜	19⅝	
4006	Torstar B	$22½	22⅜	22½	
162627	Transcan P x	$20¼	19⅞	[illegible]	
202425	Transalta	$14⅝	14½	14½	
8661	Trimac	$16⅜	16¼	16¼	-¼
17300	Trizec A	81	80	80	
11500	UAP A	$21½	21½	21½	
249	UnitedCorp	$33⅛	[illegible]	33⅛	
3266	UtdDomInd	$19⅞	19¾	19⅞	
4520	Unova	$7¾	7¾	7¾	
14980	Viceroy Rs	$10¼	10⅛	10¼	-⅛
111773	Westcst E	$21⅞	21¾	21¾	-⅛
12675	Weston Geo	$38	37	38	+¼
79200	WIC B	$16	15⅞	15⅞	-⅛

f - No voting rights or restricted voting rights

MONTREAL

4 pm close October 1

Sales	Stock	High	Low	Close	Chng
12290	BioChemPh	$13⅜	13	13⅜	+⅛
159573	BombrdierB	u$15¾	15⅜	15⅝	+¼
11075	Cambior	$15¼	15⅛	15¼	+⅛
400	CanMarconi	$15¼	15¼	15¼	
16400	Cascades	$5⅞	5¾	5¾	-⅛
1950	GTC TransB	$11⅞	11⅞	11⅞	-⅛
18500	JeanCoutu	$12¼	d12⅛	12¼	+¼
4730	MetroRich	$10⅛	10⅛	10⅛	-⅛
464731	NatBk Can x	$10	9½	9⅞	+⅛
33000	Quebecor A	$19¼	19⅛	19⅛	
6400	Univa	$7⅞	7¾	7¾	
29266	Videotron	$27¼	[illegible]	27¼	

Total Sales 17,088,493 shares

INDICES

*Saturday September 25: Taiwan Weighted Price: 3877.45, Korea Comp Ex: 703.58.

Subject to official recalculation. *Calculated at 15.00 GMT

Base values of all indices are 100 except Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100, IBEX Overall and DAX - 1,000, JSE Gold - 255.7, JSE 25 Industrials - 264.3 and Australia All Ordinary and Mining - 500. (c) Closed. (u) Unavailable

TOKYO - Most Active Stocks

Friday, October 1, 1993

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nikkatsu	39.8m	8		NKK Corp	3.7m	369	+3
Nippon Steel	11.2m	318		Tokyo Gas	3.5m	504	+6
Isuzu Motors	5.2m	400	+27	Green Cross	3.5m	1,270	+80
Fujitsu	3.9m	820	+10	Oki Elec Ind	3.2m	529	[illegible]
NEC Corp	3.7m	969	+17	Hitachi	3.2m	830	+1

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices: dial (0891 or 0336) 430000, enter 4 and key in the five digit code listed below. Calls are charged at 36p/minute cheap rate and 48p/minute at all other times. International access available by subscription only. For more details call the FT Cityline Help Desk on (071) 873 4378.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

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Sovereign Unit Tst Mngrs Ltd (1000)F

12 Christchurch Rd, Bournemouth 0202 298422

	Init Charge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-Line
Cash	1	50 27	50.27	50.77	5.3	[illegible]
Global Prfmnce	5½	58 33	53 66xd	62.57	[illegible]	[illegible]
Ethical	5½	55.33	56.04xd	59.61	3 4	[illegible]
European Growth	5½	64 37	64 38	69.20	2.5	[illegible]
Income	5½	56.63	56 35	60 10	5 4	[illegible]
Intl Growth	5½	87.21	87 72	93.58	2.7	[illegible]
Managed	5½	74 48	75.24	80.25	3 3	[illegible]
UK Growth	5½	59 05	59 51xd	63 47	4.0	[illegible]

INSURANCES

OTHER UK UNIT TRUSTS

FT MANAGED FUNDS SERVICE

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	Bid Price	Offer Price	Yield Gross	City-Line
Provident Life Assoc Ltd				
Provident Way, Basingstoke RG21 2SZ				0256 470707
Gold Range (Pensions)				
Managed Fund		109.2	–	43412
Provident Mutual Life Assc. Assn.				
6 Hills Way Stevenage Herts SG1 2ST				0438 732000
Managed Ord	442.5	465.8	–	43484
Managed Init	310.0	326.3	–	43485
Equity Ord	857.3	881.9	–	43486
Equity Init	460.5	484.7	–	43487
Index Linked Gilt Ord	209.9	216.7	–	43488
Index Linked Gilt Init	150.7	158.6	–	43489
Overseas Equity Ord	385.5	305.2	–	43490
Overseas Equity Init	258.3	299.8	–	43491
Property Ord	234.9	247.3	–	43492
Property Init	164.6	173.3	–	43493
Fixed Interest Ord	279.5	294.2	–	43494
Fixed Interest Init	195.8	206.1	–	43495
Deposit Ord	198.7	209.2	–	43496
Deposit Init	139.2	145.6	–	43497
Pension Funds				
Managed Ord	592.3	623.6	–	43498
Managed Init	415.0	436.8	–	43499
Equity Ord	908.4	956.2	–	43500
Equity Init	636.5	670.0	–	43501
Pen Ind Lkd Gilt Ord	234.9	247.3	–	43502
Pen Ind Lkd Gilt Init	171.4	180.6	–	43503
Overseas Equity Ord	434.8	457.6	–	43504
Overseas Equity Init	304.5	320.6	–	43505
Property Ord	303.3	319.3	–	43506
Property Init	212.5	223.7	–	43507
Fixed Interest Ord	365.7	384.4	–	43508
Fixed Interest Init	256.9	269.4	–	43509
Deposit Ord	292.1	307.5	–	43510
Deposit Init	204.7	215.5	–	43511
Prudential Assurance Co				
Holborn Bars, London EC1N 2NH				071-405 9222
Pentapol				
Managed Sep 29	317.5	330.8	–	43512
Prudential Corporate Pension Funds				
55 King's Road, Reading RG1 3AH				0734 484852

Scottish Amicable

Sun Alliance Group - Contd.

OFFSHORE INSURANCES

AXA Equity & Law Intl Life Assce Co

Royal Skandia Life Assurance Ltd (z)

Adams & Neville Fd Mngmt (Guernsey) Ltd

Baring Intl Fd Managers (Guernsey) Ltd

Butterfield Fund Mngrs (Guernsey) Ltd

Lazard Fund Managers (CI) Ltd

Baring Mutual Fund Mngmt (Ireland) Ltd

Chemical Fund Administrators Ltd

GT Asset Management (Ireland) Ltd

MANAGEMENT SERVICES

IRELAND (SIB RECOGNISED)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (REGULATED)(**)

JERSEY (SIB RECOGNISED)

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices: dial (0891 or 0336) 430000, enter 4 and key in the five digit code listed below. Calls are charged at 36p/minute cheap rate and 48p/minute at all other times. International access available by subscription only. For more details call the FT Cityline Help Desk on (071) 873 4378.

Gartmore Fund Mngrs Intl Ltd

Bank Von Ernst & Cie AG

INVESCO International Limited - Contd.

Asian Development Equity Fund

NICAM Asia Pacific Umbrella Fund

Butterfield Management Co Ltd

Group One International Tst

Pacific Growth Fund

Pakistan Fund

Pequot International Fund Inc

Philippine Income Fund Inc

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGE AND MONEY MARKETS

Focus on US

AN IMPORTANT event on the foreign exchanges this week will be the release on Friday of US employment data for September.

Dealers are anticipating a positive set of non-farm payroll figures, their hopes boosted by the results of the Chicago purchasing managers index last week. This showed a sharp jump in the employment component of the index.

UK clearing bank base lending rate
6 per cent
from January 26 1993

Last month the dollar was damaged by a 39,000 fall in non-farm payrolls, but technical factors, together with the rebound from August, should lead to a substantial rise in the September figure. The median forecast from economists is for a 150,000 rise.

A good figure might tilt sentiment in favour of the dollar. Some economic data at the end of last week did not live up to expectations and proved insufficient to correct the view that the US recovery is disappointing.

In Germany, Mr Hans Tietmeyer takes over as president of the Bundesbank. He inherits a more favourable inflationary background, but does not appear inclined to accelerate the central bank's gradualist approach to rate cuts.

Sterling is unlikely to make many advances this week as the ruling Conservative party meets in Blackpool for its annual party conference. Although many dealers are sceptical that the government will use the conference as the background for a rate cut, investors remain cautious. However, as analysts at Barclays de Zoete Wedd point out, last year sterling stood at DM2.43 on the last day of the Labour party conference but a week later, at the end of the Tory gathering, was at DM2.52.

"It may be too much to expect an exact repeat this year, but such a comparison does illustrate how dangerous it can be to short sterling when it is obviously cheap relative to its purchasing power parity."

£ IN NEW YORK

Oct 1	Close	Previous Close
£ Spot	1.5045-1.5055	1.4955 1.4965
1 month	0.37-0.36pm	0.37 0.36pm
3 months	0.99-0.97pm	1.03 1.01pm
12 months	3.15-3.07pm	3.15 3.05pm

Forward premiums and discounts apply to the US dollar

POUND SPOT - FORWARD AGAINST THE POUND

Oct 1	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4865 - 1.5080	1.5050 - 1.5060	0.37-0.36cpm	2.91	1.00-0.97pm	2.62
Canada	1.9870 - 2.0170	2.0110 - 2.0120	0.27-0.21cpm	[illegible]	0.59-0.48pm	1.04
Netherlands	2.7365 - 2.7655	2.7625 - 2.7625	par-¼cdis	-0.54	¼-½dis	-0.54
Belgium	52.35 - 53.25	53.05 - 53.15	15-21cdis	-4.07	42-52dis	-3.54
Denmark	[illegible]	[illegible] - 9.9425	2¾-4oredis	-4.08	7⅞-9⅝dis	-3.52
Ireland	1.0425 - 1.0545	1.0480 - 1.0490	0.07-0.10cdis	-0.97	0.24-0.29dis	-1.01
Germany	2.4385 - 2.4605	2.4525 - 2.4575	⅛-¼pfdis	-0.92	½-⅝dis	-0.92
Portugal	250.45 - 253.60	252.70 - 253.60	101-134cdis	-5.57	[illegible]	-5.13
Spain	186.40 - 188.55	187.30 - 188.30	66-80cdis	-4.42	202-218dis	-4.24
Italy	2371.70 - 2400.10	2394.75 - 2395.75	5-7liredis	-3.01	16-19dis	-2.84
Norway	10.6520 - 10.7100	10.7375 - 10.7475	¼-1¼oredis	-0.84	¼-2dis	-0.42
France	8.5010 - 8.6015	8.5575 - 8.5675	⅜-1cdis	-1.23	2¾-3dis	-1.20
Sweden	12.0780 - 12.2150	12.1750 - 12.1850	1¾-2¾oredis	-2.03	3⅛-5½dis	[illegible]
Japan	[illegible] - 160.00	159.00 - 160.00	½-⅜ypm	3.29	1½-1⅜pm	3.61
Austria	17.11 - 17.32	17.27 - 17.30	⅝-1⅝grodis	-0.78	2¾-4dis	-0.72
Switzerland	2.1[illegible] - 2.1[illegible]	2.1400 - 2.1500	¼-⅛cpm	1.05	¾-½pm	1.17
Ecu	[illegible] - 1.2970	1.2950 - 1.2960	0.19-0.23cdis	-1.85	0.58-0.64dis	-1.88

Commercial rates taken towards the end of London trading. Six-month forward dollar 1.81-1.76pm. 12 Month 3.16-3.06pm.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Oct 1	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4865 - 1.5080	1.5050 - 1.5060	0.37-0.36cpm	2.91	1.00-0.97pm	2.62
Ireland†	[illegible]	[illegible]	0.50-0.47cpm	4.08	1.37-1.32pm	3.75
Canada	[illegible]	1.3370 - 1.3380	0.15-0.18cdis	-1.48	0.50-0.56dis	[illegible]
Netherlands	1.8310 - 1.8470	[illegible]	0.52-0.55cdis	[illegible]	1.41-1.47dis	-3.14
Belgium	35.25 - 35.55	35.25 - 35.35	18.00-21.00cdis	-6.63	48.00-58.00dis	-6.01
Denmark	6.5975 - 6.6405	[illegible]	3.90-4.15oredis	[illegible]	9.70-10.30dis	-6.06
Germany	[illegible]	[illegible]	0.53-0.54pfdis	[illegible]	[illegible]	-3.63
Portugal	168.05 - 169.20	[illegible]	124-129cdis	-9.03	327-343dis	-7.97
Spain	131.05 - 132.70	[illegible]	80-84cdis	-7.47	225-235dis	-6.99
Italy	[illegible]	[illegible]	7.50-8.00liredis	[illegible]	21.00-23.00dis	-5.53

Commercial rates taken towards the end of London trading. † UK, Ireland and Ecu are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

OTHER CURRENCIES

Oct 1	£	$
Argentina	1.4935 - 1.4965	0.9980 - 1.0000
Australia	2.3105 - 2.3150	1.5440 - 1.5455
Brazil	194.635 - 194.640	130.060 - 130.065
Finland	8.7245 - 8.7546	5.8300 - 5.8500
Greece	[illegible]	[illegible]
Hong Kong	11.5750 - 11.5765	7.7350 - 7.7360
Iran	[illegible]	[illegible]
Korea(Sth)	[illegible]	810.00 - 810.20
Kuwait	0.43235 - 0.43310	[illegible]

LONDON RECENT ISSUES

EQUITIES — FIXED INTEREST STOCKS — RIGHTS OFFERS

BANK OF ENGLAND TREASURY BILL TENDER

WEEKLY CHANGE IN WORLD INTEREST RATES

EXCHANGE CROSS RATES

Yen per 1,000; French Fr. per 10; Lira per 1,000; Belgian Fr. per 100; Peseta per 100.

EURO-CURRENCY INTEREST RATES

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

STERLING INDEX

CURRENCY MOVEMENTS

CURRENCY RATES

CHICAGO

BASE LENDING RATES

	%
Adam & Company	6
Allied Trust Bank	6
AIB Bank	6
●Henry Ansbacher	6
B & C Merchant Bank	13
Bank of Baroda	6
Banco Bilbao Vizcaya	6
Bank of Cyprus	6
Bank of Ireland	6
Bank of India	6
Bank of Scotland	6
Barclays Bank	6
Brit Bk of Mid East	6
●Brown Shipley	6
CL Bank Nederland	6
Citibank NA	6
City Merchants Bank	6
Clydesdale Bank	6
The Co-operative Bank	6
Coutts & Co	6
Credit Lyonnais	6
Cyprus Popular Bank	6
Duncan Lawrie	6
Exeter Bank Limited	7
Financial & Gen Bank	7
●Robert Fleming & Co	6
Girobank	6
●Guinness Mahon	6
Habib Bank AG Zurich	6
●Hambros Bank	6
Heritable & Gen Inv Bk.	6
●Hill Samuel	6
C. Hoare & Co	6
Hongkong & Shanghai	6
Julian Hodge Bank	6
●Leopold Joseph & Sons	6
Lloyds Bank	6
Meghraj Bank Ltd	6
McDonnell Douglas Bk.	6
Midland Bank	6
Mount Banking	6
NatWestminster	6
Nykredit Mortgage Bnk	6.5
●Rea Brothers	6
*Roxburghe Bank Ltd	6
Royal Bk of Scotland	6
●Smith & Williamson Secs	6
Standard Chartered	6
TSB	6
●United Bk of Kuwait	6
Unity Trust Bank Plc	6
Western Trust	6
Whiteaway Laidlaw	6
Wimbledon & Sth West	7
Yorkshire Bank	6

* (In administration)

● Members of British Merchant Banking & Securities Houses Association

STOCK INDICES

	Oct 1	Sep 30	Sep 29	Sep 28
FT-SE 100	3039.3	3037.5	3030.1	3036.9
FT-SE Mid 250	3426.7	3433.2	3434.4	3437.6
FT-SE-A 350	1519.7	1519.7	1517.0	1519.8
FT-A All-Share	1506.66	1503.55	1503.92	1506.67
FT-SE Eurotrack 100	1293.99	1293.02	1289.31	1288.96
FT-SE Eurotrack 200	1368.19	1362.51	1356.79	1364.11
FT Ordinary	2312.6	2318.3	2323.8	2329.5
FT Government Secs.	102.04	102.17	101.86	101.87
FT Fixed Interest	123.06	123.06	122.64	122.66
FT Gold Mines	185.3	184.9	180.5	179.4

LONDON SHARE SERVICE

BRITISH FUNDS — OTHER FIXED INTEREST

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

MONEY MARKET FUNDS

Money Market Trust Funds

	Gross	Net	Gross CAR	Int Cr
CAF Money Management Co Ltd 48 Pembury Road, Tonbridge TN9 2JD 0732 770114				
Calcash Deposit Fund	5.73	-	5.88	3-Mth
Deposits Over £1 million	5.83	-	5.98	3-Mth
Deposits Over £2 million	5.93	-	6.07	3-Mth
The CBF Charities Deposit Account 2 Fore Street, London EC2Y 5AQ 071-588 1815				
Deposit	5.70	-	5.82	3-Mth
Cent. Bd. of Fin. of Church of England‡ 2 Fore Street, London EC2Y 5AQ 071-588 1815				
Deposit	5.70	-	5.82	3-Mth
Gartmore Money Management Ltd 16-18 Monument St, London EC3R 8QQ 071-236 1425				
Call Fund	5.52	[illegible]	5.60	6-Mth
7-day Fund	5.51	[illegible]	5.58	6-Mth
Special Fund	5.48	4.11	5.62	1-Mth
Dollar	1.86	1.39	1.87	3-Mth
TESSA Prime	5.01	-	[illegible]	3-Mth

Money Market Bank Accounts

	Gross	Net	Gross CAR	Int Cr
AIB Bank High Interest Cheque Account Belmont Rd, Uxbridge UB8 1SA 0800 282115				
£2,500-£9,999	2.27	1.70	2.29	Qtr
£10,000+	3.74	2.81	3.79	Qtr
Aitken Hume Bank plc 30 City Road, London EC1Y 2AY 071-638 6070				
£25,000-£49,999	5.50	4.125	5.64	Mth
£50,000 or more	5.75	4.3125	5.90	Mth
Up to £9,999	4.00	3.00	4.07	Mth
£10,000 - £24,999	4.75	3.5625	4.85	Mth
£25,000 - £49,999	5.25	3.9375	5.38	Mth
£50,000 or more	5.50	4.125	5.64	Mth

Money Market quotations – please telephone

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	Wk's % change	Div gross	Dividends paid	Last xd	City line
Abbott Labs		18⅞xd	0.5	68c	FeMyAuNv	12.7	1503
Allegheny & W	♥	549½p	2.5	30c	–	–	–
Amdahl		402p	2.3	5c	NvFeJeAu	31.1	–
Amer Cyanamid		36⅝	–.3	$1.75	MrJeSeDe	4.3	–
Amer Express		23¼xd	1.9	$1.00	FeMyAuNv	5.7	1594
Amer T & T		39⅛xd	–.6	$1.32	FeMyAuNv	25.6	1597
Ameritech		57½	–1.9	$3.68	FeMyAuNv	28.3	–
Anheuser-Busch		30⅝	4.3	Q$1.44	MrJeSeDe	4.8	1620
BankAmerica		29⅝xd	–4.5	$1.40	MrJeSeDe	17.8	1744
Bankers NY		53⅛xd	2.6	$3.12	ApJlyOcJa	24.12	1745
Bell Atlantic		42⅝	2.1	$2.68	FeMyAuNv	4.7	–
BellSouth		40⅝	–.2	$2.76	FeMyAuNv	8.4	–
Bethlehem Steel	♥	9⅝xd	5.5	–	MrJeSeDe	6.2	1821
Bowater		1241pxd	0.3	60c	OcJaApJy	9.3	1934
CPC		29⅝xd	–2.1	$1.28	JaApJyOc	25.6	2353
California Engy		1178p	2.5	–	–	–	–
Chase Manhattan		24⅞xd	3.0	$1.20	FeMyAuNv	27.7	2109
Chrysler		31⅝xd	1.0	60c	ApJyOcJa	10.9	2135
Citicorp		25½xd	5.7	–	–	23.10	2141
Colgate-Palm		35⅛xd	–.4	$1.44	FeMyAuNv	21.7	2184
Cont I Bank		1790p	[illegible]	60c	DeMrJeSe	31.5	–
Dana		38⅝xd	6.6	$1.60	MrJeSeDe	27.8	2206
Data General		680p	19.2	–	–	–	–
Decora Inds	♥	110p	–7.6	–	–	–	–
Dun & Brad		41⅝	–1.3	$2.44	MrJeSeDe	13.2	–
Eaton		34	1.1	$1.20	FeMyAuNv	2.2	2410
Echlin		28¼xd	5.0	70c	JaApJyOc	1.10	3046
FPL		26⅛xd	–2.1	$2.48	MrJeSeDe	25.5	–
Ford Motor		38⅝xd	–2.6	$1.60	MrJeSeDe	28.7	2615
Gen Elect		64⅛xd	–.2	$2.52	JaApJyOc	21.9	2675
General Host	♥	532p	2.7	34c	–	13.12	–
Gillette		38⅛xd	0.7	84c	MrJeSeDe	28.7	2695
Hasbro		20⅞	...	24c	FeAuJyNv	1.8	–
Honeywell		23¼xd	0.3	89c	MrJeSeDe	24.8	2919
Houston Inds		30⅞	–.4	$3.00	MrJeSeDe	10.11	–
Ingersoll-Rand		25⅛xd	...	70c	MrJeSeDe	17.8	2379
Lockheed		42⅛	–2.3	$2.12	MrJeSeDe	15.2	–
Lowe's		3027p	2.9	32c	JaApJyOc	11.7	–
Maxtor Technology		247¼p	–17.7	–	–	–	–
Merrill Lynch		65½xd	1.2	$1.40	FeMyAuNv	30.4	3351
Morgan (JP)		52⅝xd	4.8	$2.40	JaApJyOc	15.9	3418
Morris (Philip)		30⅝xd	–1.3	$2.60	JaApJyOc	10.9	5761
NYNEX		30¼xd	–3.1	$2.36	FeMyAuNv	27.6	4740
Pall		12⅞	–1.0	32c	FeMyAuNv	24.1	–
Pennzoil		42⅞xd	2.9	$3.00	MrJeSeDe	28.8	3630
Quaker Oats		44⅞xd	1.1	$2.12	JyOcJaAp	14.9	3738
Quester		384p	17.0	–	–	–	2416
Rockwell		24xd	—	$1.00	MrJeSeDe	11.8	3847
Rep NY		34⅝xd	0.3	$1.08	JaApJySe	10.9	3814
Sears, Roebuck		36⅝xd	–5.6	$1.60	JaApJyOc	28.8	5191
Southwestern Bell		28⅞	.	$1.51	MyAuNvFe	4.7	–
Sun Co		18⅝xd	3.6	$1.80	MrJeSeDe	5.8	4135
Tenneco		35⅛xd	5.4	$1.60	MrJeSeDe	20.8	–
Texaco		45⅝xd	6.3	$3.20	MrJeSeDe	4.8	4200
Time Warner		27⅛xd	–2.7	32c	MrJeSeDe	19.8	4234
Unilab	♥	398p	–7.6	–	–	–	–
US West		33	3.1	$2.14	FeMyAuNv	14.4	–
Vanity		2406p	–5.0	–	–	11.77	–
WMX Technologies		20⅛xd	1.3	60c	ApJyOcJa	17.9	4439
Whirlpool		3843pxd	–1.0	$1.22	MrJeSeDe	4.3	–
Woolworth	♥	16⅞	1.1	$1.16	MrJeSeDe	28.1	4540

CANADIANS

	Notes	Price £	Wk's % change	Div gross	Dividends paid	Last xd	City line
Abbot Energy	♥	2p	...	–	–	–	–
Amer Barrick		1482p	–3.8	10.3p	Jun Dec	–	–
Bk Montreal		12⅛	–2.0	$1.12	FeMyAuNv	2.8	1029
Bk Nova Scot		1379p	–2.4	$1.12	JaApJeOc	30.6	1017
BC Gas	♥	790⅛p	–2.2	60c	FeMyAuNv	30.12	–
BCE		22	–1.7	$2.64	ApJyOcJa	12.8	–
Brascan	♥	636p	–.8	$1.04	JaApJyOc	28.10	–
[illegible]							

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUSINESS SERVICES

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS - Cont.

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING-AEROSPACE

[illegible]

ENGINEERING-GENERAL

[illegible]

ENGINEERING-GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HOTELS & LEISURE

[illegible]

HOTELS & LEISURE - Cont.

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service.

INVESTMENT COMPANIES

Warrants values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service.

MEDIA

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

Glencar Expl IE ‡‡	12	—	—	—	—	—	—
Greenwich Res ♣□	14½	—	—	—	—	—	2773
Hemlo Gold C$	69¾	-2.2	Q20c	—	Dec Jun	8.11	—
Jeremis West IE ‡‡□	39	-7.1	—	—	—	—	—
Kells Mins IE ‡‡	11	—	—	—	—	—	3741
Kenmare ♣□	8¼	2.9	—	—	—	—	1453
Malinga Res.	8	—	—	—	—	—	—
Maven Res IE ♣	93	—	—	—	—	—	1693
5pc Ln Notes	98½	1.7	—	—	—	—	—
Oryx Gold	75½	2.7	—	—	—	—	3998
‡‡Ovoca Res IE	8	—	—	—	—	—	1470
RTZ ♣†W□	677	-2.3	19.5	1.7	Dec Aug	7.6	3880

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- *Figures or report awaited*
- Not officially UK listed, dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Not Subject to ACT.

z Dividend includes a special payment: Cover does not apply to special payment. E Auction basis F Dividend based on prospectus or other official estimates for 1994-95. G Assumed dividend after pending scrip and/ or rights issue. H Dividend based on prospectus or other official estimates for 1993. K Dividend based on prospectus or other official estimates for 1992-93 L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1993-94.

N Dividend based on prospectus or other official estimates for 1992. P Figures based on prospectus or other official estimates for 1994. Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution

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4 pm close October 1

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1993 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
14⅝	11½	AAR Corp	0.48	3.8	637	71	12⅞	12¾	12¾	-⅛
29⅝	13¼	A L Labs A	0.18	1.0	34	277	17⅝	17	17⅝	-¼
67¼	54⅝	AMP Inc	1.60	2.4	23	1124	66¼	65	66⅛	
72¾	55½	AMR			17	2530	66⅛	64½	65⅝	+½
3¾	1⅞	ARX			14	538	u3¾	3⅝	3¾	+⅛
51½	29⅞	ASA	2.00	4.7	27	371	42¼	41¾	42⅛	-⅛
30¼	22⅝	Abbott Lab	0.68	2.5	17	7766	27⅝	27	27½	+⅛
12⅝	8¼	Abitibi Pr	0.50	6.0	3	15	8⅜	8⅛	8⅜	
15¼	8¼	Acceptcaln			44	63	14¾	14⅜	14¼	-½
36	25½	ACE Ltd	0.92	2.8		1480	33⅛	32⅞	33⅛	
12	10¼	ACM Gvt In	0.96	8.4		909	11½	11¼	11⅜	
10	9⅛	ACM GvOpp	0.80	8.1		12	9⅞	9¾	9⅞	+⅛
9⅞	8¾	ACM Gvt Sp	0.80	8.2		320	9¾	9⅝	9¾	+⅛
11⅝	10½	ACM Gvt Se	0.96	8.3		503	11½	11⅜	11½	
11⅝	9⅝	ACM Man	1.08	9.4		253	u11⅝	11½	11½	-⅛
9⅜	8⅝	ACM Managd	0.72	7.8		52	u9⅜	9¼	9¼	-⅛
12⅝	7¾	Acme Cleve	0.44	4.7	12	105	9½	9¼	9⅜	-⅛
9⅛	6⅛	Acme Elect			48	112	6¾	d6⅜	6⅝	+¼
27⅝	18⅜	Acordia	0.44	1.7	14	143	25¼	24¾	25¼	+¼
18	10⅞	Acuson			32	491	12	11¼	11⅞	
21¾	18¼	Adams Expr	0.48	2.6	0	282	18¾	18⅝	18¾	-⅛
66¼	45½	Ad Micro	3.00	5.3		3783	57½	54⅞	56¼	-1¼
32¼	17⅝	Ad Micro P	3.00	11.7	10	20563	28¼	25	25¾	-⅜
7¼	5½	Advest Grp	0.16	2.3	12	115	7⅛	7	7	-⅛
24¼	15¾	Advo Inc	0.08	0.5	17	177	15¾	d15½	15¾	-⅛
50⅛	41⅛	Aegon ADR	1.23	2.5	10	57	49⅛	48	49	+½
60¼	43⅞	Aetna Lf	2.76	4.6	41	5185	60⅞	59½	59⅝	-⅜
15⅛	11⅞	Affil A	0.26	1.7	31	1514	15	14¾	15	+⅛
34	26⅞	Aflac	0.40	1.3	15	558	32¼	31½	31⅞	-⅜
22⅛	16¾	Ahmanson	0.88	4.4	8	3127	20	19⅝	20	+⅛
7¼	3⅝	Aileen Inc			5	101	3⅞	d3⅝	3⅞	+¼
48½	24⅞	Air Pr Chm	0.92	2.4	15	5482	39⅝	38⅝	39	-¼
36½	18⅛	Airborne Frt	0.30	1.2	32	379	24⅝	24⅛	24⅝	+½
39½	18¼	Airgas Inc			42	274	u39½	37¾	37⅞	-1½
15⅞	10½	Airlease x	1.72	11.7	11	24	14⅞	14⅝	14¾	
106½	101	AlaPw8 16	8.16	7.8		220	105	105	105	-½
107	102½	Alab 8 28G	7.28	7.1		220	102⅞	102⅞	102⅞	
18	12¼	Alaska Air	0.20	1.6	2	157	12¾	12⅝	12⅝	-⅛
19	14¼	Albany Intl	0.35	2.0	58	940	18	17⅝	17⅝	

Continued on next page

4 pm close October 1

NYSE COMPOSITE PRICES

Continued from previous page

1993 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
56⅞	70⅛	Xerox	3.00	4.1	28	1094	73¾	72⅞	73⅛	+⅝
55½	51½	Xerox4.125	4.12	7.6		5	54½	54½	54½	+⅛
50½	31¼	Xtra Corp	0.48	1.0	19	1033	48	47⅝	47⅞	
28	19½	Yankee Egy	1.16	4.5	15	198	25⅞	25½	25⅞	-⅛
1⅛	⅛	Zapata			16	320	1⅛	1	1⅛	
10½	5⅞	ZenithElec			1	560	6½	6¼	6½	+⅛
29¼	19⅝	Zenith Nat	1.00	3.6	18	40	28¼	28	28⅛	-⅛
8	6½	Zenix Inc x	0.82	11.1		128	7½	7⅜	7⅜	-⅛
15⅛	12¾	Zero Corp	0.40	2.9	18	60	13¾	13⅝	13⅝	-⅛
40⅝	30⅛	Zurn Ind	0.88	2.8	77	33	32¼	31⅝	31⅝	-½
13¾	12⅝	Zweig Fund	1.12	8.5		242	13⅛	13	13⅛	
10¾	9⅞	Zweig Tot	0.96	9.0		321	u10¾	10⅝	10⅝	

Price data supplied by Telekurs

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4 pm close October 1

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Numac O&G		82	15	6⅝	6⅝	6⅝	

NASDAQ NATIONAL MARKET

4 pm close October 1

MONDAY INTERVIEW

Statesman smoothes the waves

Douglas Hurd, the UK foreign secretary, talks to **Philip Stephens**

The Conservative party has a simple choice at its conference this week in Blackpool. It can reignite the fires over the economy and Europe which for the past year have consumed Mr John Major's government. If it does, the future of the prime minister can be counted in months. Alternatively the party could decide it prefers government to self-destruction, problem-solving to civil war. Mr Major then at least would have a chance.

Mr Douglas Hurd, the distinguished elder statesman of a none-too-distinguished cabinet, has largely escaped the opprobrium heaped on his colleagues as the government has stumbled from crisis to crisis.

The foreign secretary, of course, was a pivotal figure in both the decision to take sterling into the European Exchange Rate Mechanism and in the battle over Maastricht. Somehow most of the mud stuck to the prime minister.

There are those who believe that Mr Hurd's reputation as a master on the diplomatic stage has been badly tarnished by his fierce opposition to military intervention in Bosnia. Lady Thatcher has made little secret of her disgust with what she refers to as Foreign Office appeasement.

By and large though, he has escaped the malaise. He came third in the leadership contest following Lady Thatcher's departure three years ago. He is 63, 13 years older than the prime minister. But he is still touted as a serious contender for No 10 Downing Street by those who cannot be convinced that Mr Major will recover. The foreign secretary has what they call "grip".

Talking at the weekend at his elegant but unostentatious Oxfordshire farmhouse, Mr Hurd exuded the calm authority admired by his supporters. There were occasional flashes of complacency in his prognosis. Sometimes, it seemed, that after a week at the United Nations general assembly he found the Tory party's private wars an annoying distraction.

But he acknowledged the significance of the Blackpool conference for Mr Major and the government. The crises triggered last year by Denmark's initial rejection of the Maastricht treaty and by the ERM debacle had subsided. "Now we have come out of that, but it has left a certain weakness, a political malaise, behind."

So: "This Blackpool week is important. It should mark and underline for everybody the move from one phase to another, from fever to recovery, from political fever to political recovery."

With Maastricht awaiting only German ratification, and the mood in the rest of Europe moving Britain's way the Conservatives had the opportunity to heal the divisions over Europe which had sapped Mr Major's authority.

Mr Hurd spoke though with hope as well as expectation: "The Tory party should be able [he emphasised twice the word 'should'] – because that is no longer an argument and there is no particular focus for further 'barminess' – to collect itself as it has often done in the past and get on with supporting the government."

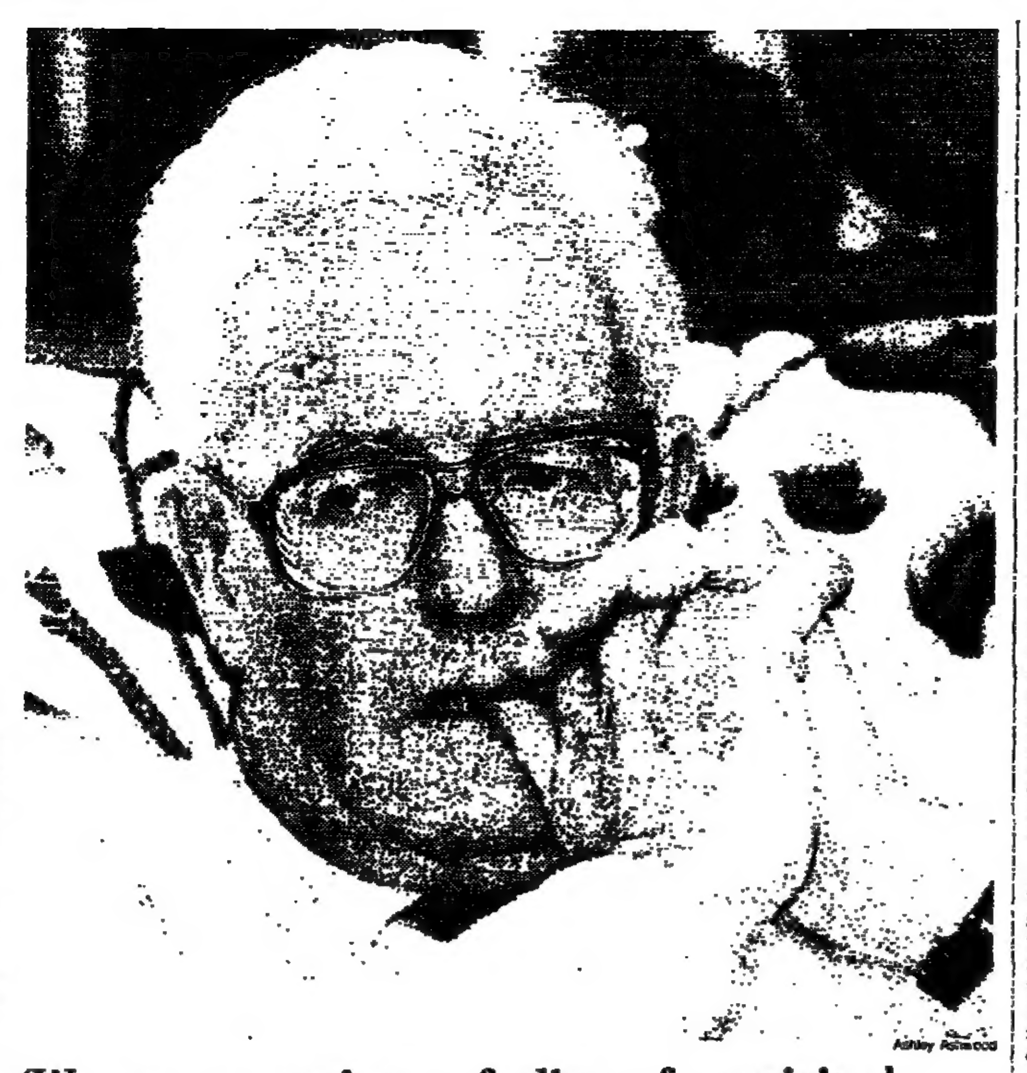
He was determined that the problems should not be seen in isolation. The malaise was not unique to Britain. Ask President Bill Clinton or Chancellor Helmut Kohl. "It is quite common in the western world at the moment. It occurs in more countries than not."

Mr Paddy Ashdown, Liberal Democrat leader, he reckons, is the Ross Perot of British politics: "If it were a malaise particularly against the government then the support would go to the alternative government. But it's not. It is going to a party [the Liberal Democrats] which is empty and contradictory, a receptacle for protest."

He warmed to the theme: "I don't say we are OK, but we are not up against a great urge to replace one government by its alternative. That is very clear. The Labour party has done disastrously in by-elections. We are up against a feeling of suspicion, scorn, for politicians and politics."

That is as may be, but it is the government, and Mr Major in particular, who must climb out of what Mr Kenneth Clarke, the chancellor, calls a dreadful hole. The elderly facing VAT on domestic fuel, the southern middle classes ravaged by unemployment and soaring crime rates and teachers facing chaos in the classroom are not much interested in Chancellor Kohl's problems.

Was not the problem that the government has no sense of direction? Could he define Majorism, 1990s Conservatism, or whatever?



Ashley Ashwood

'We are up against a feeling of suspicion'

Mr Hurd is one of his party's *thinkers but he is not* impressed these days by the quest for philosophical blueprints. The government, he insists, will recover because it delivers answers to problems. "People don't really think in terms of the party's identity. They think in terms of the actual events of their lives and the decisions of government which shape them."

Competence was the key: "We will deal with this political malaise by the orderly and competent handling of different problems. I think that's perfectly possible. Indeed we have to do it."

PERSONAL FILE

- **1930** Born Marlborough. Educated Eton; Trinity College, Cambridge.
- **1952** Official, Foreign and Commonwealth Office.
- **1966** Member, Conservative research department.
- **1968** Political secretary to Edward Heath.
- **1974** MP for Mid-Oxfordshire.
- **1983** MP for Witney.
- **1979** Minister of state, FCO.
- **1983** Minister of state, Home Office.
- **1984** Secretary of state for Northern Ireland.
- **1985** Home secretary.
- **1989** Foreign secretary.

The economy, of course, is central. So too will be Mr Clarke's November budget. If Mr Clarke entrenches economic growth with low inflation then few voters will worry about the government's philosophical label.

Then there is Europe – more specifically Britain's opportunity to win the post-Maastricht argument for a wider, more open, decentralised Community. The Conservatives had the chance now both to bind their wounds and to shape the future of Europe.

Mr Hurd offered a third, post-Thatcherite, theme for this exercise in pragmatic government: public services. "how do you give them a respected place in a Conservative society. What [US vice-president] Al Gore called re-inventing government."

The prerequisite was reform – of the health service, education, the police and, above all perhaps, of prisons. But once the government was certain the reforms would stick, "then you have to show the people who are in those services that they are a necessary and respected part of society."

It did not sound like a programme to raise the spirits of a depressed and disgruntled nation. After 14 years, a promise to get to grips with law and order or with standards in the nation's schools has something of a hollow ring.

Mr Hurd was unapologetic. "You exaggerate the extent to which people pine for intellectual excitement. I don't think they do. If we can sustain the recovery without inflation, if we shape the European Community in the sort of way we want, if we can make the health and education reforms stick and thus transform the nature of the public services... Then if we can do all those things, then I think we are doing a good job."

Would they accept too Mr Major continuing as prime minister, or has the "nice man but not up to the job" jibe sunk too deeply into the nation's political consciousness?

Mr Hurd sighs. The press, it seems, cannot cope without a crisis. "We have run out of crises. There isn't a European crisis. There isn't an economic crisis. There isn't a sterling crisis... There isn't a crisis. But, my God, there has to be a crisis. So let's find a crisis. There's a leadership crisis, of course, the prime minister's not up to it... That is I think rather the process of thought."

But the fever will subside and Mr Major will stay: "Yes I am sure he will. I can't think that any effort to displace him would be successful and I believe that he wishes to continue. And I think its right he should."

What then of Mr Hurd's own future? Barely a month passes without some newspaper story suggesting that he wanted more time for his young family, for writing novels, and even perhaps for his memoirs.

The truth is Mr Hurd has not made up his mind. "I am not in any tearing hurry to change. I don't feel under any huge pressure to do so... I'm blessed with a robust Anglo-Saxon constitution and I enjoy my job. There are other things I would like to do later but later is later. I can't really say more than that."

Nothing to fear from Nafta

MICHAEL PROWSE on AMERICA

Nothing better illustrates America's loss of self confidence than the hysterical opposition to the North American Free Trade Agreement (Nafta). It seems scarcely believable that the world's greatest economic power – the founder of the liberal global trading system – should be leery of a free trade pact with impoverished Mexico, whose economy represents only 4 per cent of US gross domestic product. Yet the fears are real and are being expertly fanned by such canny political operators as Mr Pat Buchanan on the Republican right, Mr Ross Perot, the Texan billionaire, and Mr Richard Gephardt, the popular Democratic congressional leader.

President Bill Clinton is now backing Nafta, although not with the passion he brings, say, to healthcare reform. But if Congress fails to ratify the agreement in December, he will bear much of the blame. He was passive during the spring and summer while opposition to Nafta steadily gathered momentum. He equivocated during last year's election campaign, refusing wholeheartedly to support President Bush's initiative.

Just as significant, by talking constantly of US economic decline, he helped create the national mood of economic insecurity that lies behind opposition to Nafta. Every time his campaign jet touched down, he reminded voters they were "working harder for less" as a result of the failure of Reagan/Bush policies.

As a political strategy, Mr Clinton's declinist rhetoric paid off handsomely. But it was never well supported by the facts. Between 1980 and 1992, US GDP rose 32 per cent in real terms – hardly a sign that tougher foreign competition was undermining living standards. This was not fuelled solely by population growth: after allowing for inflation, per capita personal disposable incomes rose more than 18 per cent. The distribution of income did grow somewhat more unequal in the 1980s, but most boats were lifted by this tide of prosperity. It was only the unskilled – mainly young high school drop-outs – who experienced a significant absolute decline in wages.

As a nation the US thus has nothing to fear, and much to gain, from a lowering of barriers to trade and foreign investment. It is not even certain that low-skilled US workers will be adversely affected. Professor Jagdish Bhagwati of Columbia University points out that foreign competition can only reduce US wages if it first reduces the prices of goods produced with unskilled labour. He claims there is little evidence of downward pressure on prices and therefore blames falling real wages at the bottom end on other factors, such as rapid technological change.

If this sounds counter-intuitive, remember that as incomes in developing countries rise, so does their demand for goods produced in industrial countries. The negative impact on wages from an increased global supply of low-skilled labour has to be balanced against a positive "income" effect, reflecting higher global demand for goods and services. Some of the detailed econometric analyses of Nafta support the Bhagwati thesis, claiming that it will raise the wages even of unskilled US workers because of positive demand effects.

But even if intensified competition does put downward pressure on the wages of unskilled US workers, it is extraordinary that so many leading public figures, including a majority of congressional Democrats, appear to believe the solution lies in protection. There is a strong economic case for responding by improving education and training for the low-skilled and by extending financial relief through the tax system, as the Clinton administration did in the budget through its expansion of the earned income tax credit.

But to try to narrow opportunities for trade and foreign investment on the grounds that some groups will lose out is to inveigh against capitalism itself. The domestic equivalent of fighting Nafta is to argue that companies should not be allowed to move from California to Utah, in case reduced labour costs enable them to become more efficient.

Mr Clinton, admittedly, has rejected overt forms of protection. He says the US should embrace change and create the jobs of tomorrow rather than try to "preserve the economic structures of yesterday". But his commitment to market principles is skin deep. The whole point of trade is to benefit from your neighbour's comparative advantages which, in Mexico's case, include relatively low wages. Yet Mr Clinton is proudly pointing out that this is the first trade agreement to insist that the poorer country gradually raise its wage rates toward those in the richer nation. With this clause he is pandering to the same special interests as Nafta opponents: his tactics are just more subtle.

Yet in a strange way, Mexico holds the key to Nafta. Unless the US Congress comes to its senses, Mexico faces a serious political rebuff. But although it cannot force the US to sign up it can unilaterally introduce many Nafta provisions, for example by cutting tariffs further and by liberalising rules for US direct investment. It already enjoys pretty unrestricted access to the US domestic market. This would be the ultimate humiliation for the US: to be informed by its economically sophisticated neighbour that it can take advantage of opportunities it is too frightened to demand.

Peace in, peacekeeping out

IAN DAVIDSON on EUROPE

When the world's most important politicians gather at the United Nations to make speeches about the future of the world, we are unaccountably seduced into hoping for uplifting guidance. Usually, of course, we are disappointed by the gap between rhetoric and reality; but sometimes the rhetoric seems actually to be the exact opposite of reality.

Take President Bill Clinton's exposé of his administration's foreign policy at the United Nations in New York last week. Some people had started to fear that the Clinton administration was beginning to seem worryingly inward-looking, potentially even neo-isolationist. So Mr Clinton went to New York to reassure the world that these fears were unfounded.

America would continue to lead, he said, and America would remain engaged. "We cannot solve every problem," he admitted, "but the United States must and will serve as a fulcrum for change and a pivot point for peace".

Moreover, America had developed a new foreign policy orientation to replace the containment of the cold war: it is called "enlargement", meaning the encouragement of democracy and market forces in an ever larger number of countries.

He said he would work to prevent the spread of weapons of mass destruction; he would seek to strengthen the UN's peacekeeping capabilities; and he would promote the objective of sustainable economic development in the third world.

As an expression of high-minded aspirations and laudable values, President Clinton's UN speech showed that his heart is in the right place on all the conventional issues of the day: in favour of democracy and market forces, in favour of Gatt, and free markets, against terrorism, against the spread of nuclear weapons.

There is just one problem: his speech does not amount to a serious description of a foreign policy, let alone the foreign policy of the superpower that proclaims its intention to lead the free world.

Some passages are trumped up with mushy or even meaningless rhetoric. It is unnerving to be told: "This is a moment of miracles." And how does the US propose to go about being "a fulcrum for change and a pivot point for peace"? It sounds quite uncomfortable.

But even where the president's aspirations are relatively comprehensible and precise, it remains unclear how he proposes to act. The new catchphrase is "enlargement": but what exactly does the administration propose to do to increase the number of countries that are market-based democracies? Apart from reiterating his support for freer international trade, Mr Clinton is careful not to tell us.

The speech scarcely mentions Russia or China; except to claim that "a thriving, democratic Russia makes the world safer", and that "the growing economic power of China could bring great benefits to Asia and to the world". Surely the UN General Assembly deserved something more serious than that.

In short, it appears that Mr Clinton is on the side of the angels, in a moderate and reasonable way, and he appears to be a thoroughly nice man. But he does not seem to have a foreign policy, in the sense of an articulated set of goals, strategies and tactics.

The usual explanation is that his experience and priorities are domestic, and that he feels no urgent need for an original approach to foreign policy. This may not be a true picture. But anyone who saw Mr Clinton preside over a TV talk show on his healthcare proposals on Sunday, and then heard him expound his foreign policy at the UN on Monday, could not fail to be struck by the extraordinary contrast in his passion and apparent conviction.

A second version is that the pace of change in the world is so great that it is not yet possible to frame a coherent foreign policy. The world expects the US to lead. President Clinton feels the US has a duty to lead, and he is reluctant to admit that he is floored by the pace of change. So he says the US will lead, but gives us mush, which he pads out with motherhood and apple pie.

If there is a clue to the truth, it probably lies in President Clinton's back-handed proposals for the UN itself. He praised its peacekeeping achievements in Namibia, Bosnia, Somalia and Cambodia, and he said he wanted to strengthen the organisation's peacekeeping capabilities, which have not kept pace with its rising responsibilities.

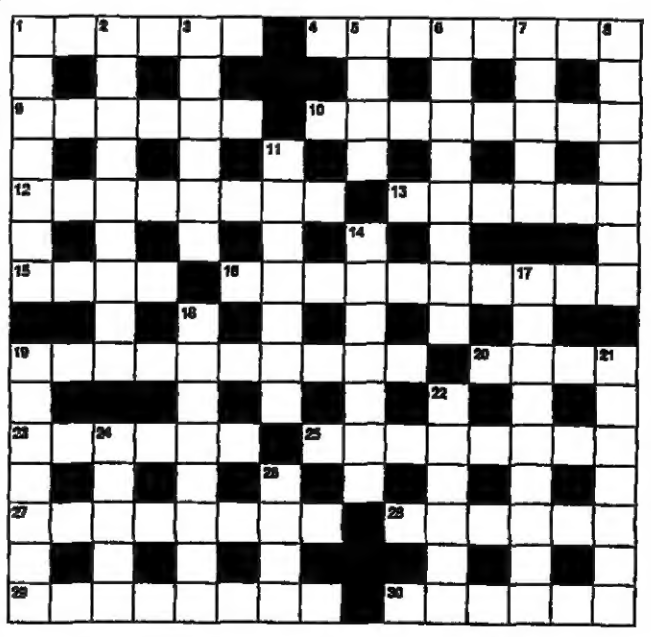
But his primary aim is clearly to curb all future UN peacekeeping operations. He would give the UN a proper planning staff, a logistics unit, access to intelligence, and a modern operations centre. But new peacekeeping operations would have to meet tough criteria: Is there a real threat to international peace? Does the proposed mission have clear objectives? Can an end point to UN participation be identified? How much will the mission cost?

These are questions which are designed to be hard to satisfy for any American contribution to a peacekeeping force in Bosnia, or anywhere else. The excessive euphoria of 1989 is now over, and President Clinton's hard-nosed criteria are just representative of the increasingly sceptical tone of voice of the *realpolitik* community in other western capitals.

Mr Clinton's realism was echoed brutally the next day by the UK foreign secretary. Sudan, Somalia, Bosnia, Angola, said Mr Douglas Hurd, were not crises for the international community, because they were not threats to world peace. They were just tragedies which, by implication, did not require the intervention of the UN. That's the new western policy: no more peacekeeping.

CROSSWORD

No.8,270 Set by DANTE



ACROSS

1 Preserve from predicament (6)
4 One of the gallery's main exhibits (8)
9 Channel Islands have the last word about films (6)
10 To retire in pleasant surroundings does smokers no good (8)
12 Measure following cut in naval establishment (8)
13 A bit of a racket in pearls or horses (6)
15 Sappers in control of cavalry (4)
16 Is outwardly better when played by ear (10)
19 Explains unusual interest about public relations (10)
20 The expedition set off (4)
23 He sounds like a wheeler-dealer (6)
25 City girl (8)
27 Enjoying surplus wealth (2,6)
28 The balance mounts (6)
29 It's tedious, but apparently doesn't fatigue everyone (8)
30 Apply pressure and bar one, perhaps (4,2)

DOWN

1 He prepares bulls for the slaughter (7)
2 NCO translated letters for soldier (9)
3 Emily's upset by Englishmen abroad (6)
5 Get out of this! (4)
6 It proves wildly frolicsome (8)
7 Common excuse for a little party, I conclude (5)
8 Got together after an important point cropped up (7)
11 Coming first in US election (7)
14 Inclined to be snappish (7)
17 He takes another's life in his hands (9)
18 Big waves finally demolish old ships (8)
19 I'm the type to stamp something out (7)
21 Don't stop, although a person's upset (5,2)
22 Place where children may go between two and five (6)
24 Colour scheme for last month – heraldic gold (5)
26 Constant concern (4)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday October 16.